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Supreme Court, U.S.
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No.

In the

Supreme Court of the United States

CRITICAL-VAC FILTRATION CORPORATION,
Petitioner,

v.

MINUTEMAN INTERNATIONAL, INC.,
Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Second Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTIONS PRESENTED

Respondent Minuteman International, Inc. ("Minuteman") commenced a patent infringement suit in federal court in Illinois against petitioner Critical-Vac Corporation ("C-Vac"). The district court granted C-Vac summary judgment, which was affirmed by the Federal Circuit. Thereafter, C-Vac commenced an action in federal court in New York asserting various antitrust claims arising out of Minuteman's institution and pursuit of the patent infringement suit. The Second Circuit affirmed the district court's dismissal of C-Vac's claims on the basis that they are compulsory counterclaims under Rule 13(a) of the Federal Rules of Civil Procedure. Given this background, the questions presented are:

1. Whether the Second Circuit, in a decision directly contrary to rulings within the past six years by the United States Courts of Appeals for the Fifth and Ninth Circuits, each of which relied on this Court's decision in Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 662 (1944) ("Mercoid"), correctly held that C-Vac's claims were compulsory counterclaims?

2. Whether this Court's ruling in Mercoid should be followed because had C-Vac been obligated to assert its antitrust claims in the patent infringement suit, the purpose of Rule 13(a), which is to foster judicial economy, would not have been served, as C-Vac's claims, like other antitrust claims arising out of such patent infringement suits, almost certainly would have been separated for trial from the patent infringement claims because of the complexity and distinct elements of proof of antitrust and patent infringement claims?

3. Whether Rule 13(a) required C-Vac to assert its antitrust claims in the patent infringement suit when its

antitrust claims, which are much like claims for malicious prosecution, were not in existence when C-Vac answered the Complaint in the patent infringement suit?

Rule 29.6 Listing

C-Vac has no parent companies or any subsidiaries.

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C-Vac respectfully petitions for a writ of certiorari to review the judgment in this case of the United States Court of Appeals for the Second Circuit.

OPINIONS BELOW

The opinion of the Court of Appeals (attached as Appendix "A") is reported at 233 F.3d 697. The opinion of the District Court (Appendix "B") is unreported. There was no judgment issued by the District Court, and the judgment of the United States Court of Appeals was issued the same day as the opinion of the Court. The decision in the underlying patent infringement litigation (Appendix "C") is unreported. This decision was affirmed without opinion by the United States Court of Appeals for the Federal Circuit at 152 F.3d 947 (1998).

JURISDICTION

The Court of Appeals entered its decision on November 19, 2000. (Appendix "A") The jurisdiction of this Court is invoked under 28 U.S.C. §1254(1).

STATUTORY PROVISION INVOLVED

Rule 13(a) of the Federal Rules of Civil Procedure, 28 U.S.C. Fed. R. Civ. P. 13(a), states in relevant part that "[a] pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against the opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim. . . .".

Rule 13(e) of the Federal Rules of Civil Procedure, 28 U.S.C. Fed. R. Civ. P. 13(e), provides in pertinent part that "[a] claim which either matured or was acquired by the pleader after serving a pleading may, with the permission of the Court, be presented as a counterclaim by supplemental pleading."

STATEMENT OF CASE

C-Vac's Complaint in the case at bar, filed in the United States District Court for the Northern District of New York, charged Minuteman with various antitrust violations stemming from Minuteman's patent infringement suit against C-Vac in the Northern District of Illinois (the "Illinois action"). C-Vac claims that in instituting and pursuing the Illinois action, Minuteman sought to enforce a patent that it knew to be invalid, that it knew was not being infringed, and that had been secured by fraud on the United States Patent

Office ("Patent Office"). (R. 7-11)[1] Because Minuteman has monopoly power in a relevant product and geographic market, these acts support C-Vac's claims that Minuteman monopolized and attempted to monopolize that market. (R. 9-11)

In the Illinois action, Minuteman sued C-Vac and others for infringement of Minuteman's reissue patent RE34,980 ("Reissue Patent"). C-Vac counterclaimed, inter alia, for a declaratory judgment of patent invalidity, unenforceability and non-infringement.

C-Vac moved for summary judgment on the issue of non-infringement only. The decision in the Illinois action (Appendix "C") details the history of the Reissue Patent and the facts underlying the grant of summary judgment.

Briefly stated, the Reissue Patent supplanted an original patent ("Original Patent") filed by Minuteman. The application for the Original Patent initially contained five claims directed to a vacuum cleaner combination. Each claim was rejected by the patent examiner as obvious in view of the prior art. One of the prior art references was a patent for an air cleaner that disclosed a filter having a flat gasket seal as one of its features.

Following the rejection by the examiner, Minuteman canceled four of its claims and limited its first claim to include a filter having a particular "tongue-in-groove" seal to distinguish the claim from the flat gasket seal disclosed by the prior art. The Original Patent, which issued on April 7, 1992, included a single claim directed to a vacuum cleaner combination, including a motor housing, motor, switch and filter having a tongue-in-groove seal.

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[1] References to "R" are to the Record on Appeal submitted by C-Vac on its appeal to the Second Circuit Court of Appeals.

After the Original Patent issued, C-Vac began manufacturing and selling a replacement filter for the vacuum cleaner combination claimed in the Original Patent. Rather than a tongue-in-groove seal, C-Vac's replacement filter had a flat gasket seal. When Minuteman realized that C-Vac's flat-gasketed filter did not infringe the Original Patent, Minuteman attempted to reclaim or "recapture" patent rights in C-Vac's flat-gasketed filters by seeking a reissue of the Original Patent to broaden the claim language and cover the filter *per se*.

To justify the reissue application, James J. Hill ("Hill"), the same attorney who prosecuted the Original Patent for Minuteman, alleged two errors.[2] First, he stated that he had mistakenly believed that the Original Patent, directed to a vacuum cleaner combination, covered the filter *per se*. Second, Hill stated in the reissue prosecution that, during the prosecution of the Original Patent, he was not aware that flat gasket seals could be substituted for tongue-in-groove seals. (R. 7-8)

The Reissue Patent, which issued on June 27, 1995, contains three claims. Claim 1, directed to a vacuum cleaner combination, is virtually identical to claim 1 of the Original Patent. Claims 2 and 3 are new, and are directed to the filter *per se*.

Minuteman sued C-Vac for patent infringement in the Illinois action claiming that C-Vac's filter infringed Claim 2 of the Reissue Patent. C-Vac's principal defense was that Minuteman had surrendered patent coverage for a flat gasket seal when it narrowed its claim to a tongue-in-groove seal to

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[2] A reissue is allowed when a patent is deemed wholly or partially inoperative or invalid through error without any deceptive intention. 35 U.S.C. §251.

avoid the prior art rejection. This defense relied on the recapture doctrine, which bars a patentee from acquiring through reissue claims of the same or broader scope than those it surrendered in prosecution.

The district court granted summary judgment to C-Vac on the issue of non-infringement. The Court's opinion concluded that the issues presented by C-Vac's motion could only be decided one of two ways, either of which would result in the dismissal of Minuteman's suit. If C-Vac's flat gasket seal was not an equivalent of Minuteman's claim language for the filter seal, then C-Vac was not infringing Claim 2. Alternatively, if C-Vac's seal was an equivalent of the language used by Minuteman in Claim 2, then Claim 2 would be invalid as a matter of law under the recapture doctrine. The district court found that Minuteman's assertion of error--that Hill (its attorney) did not realize that a flat gasket could be substituted for a groove--was not credible. First, during the prosecution of the Original Patent, Hill revised the application to cover a tongue-in-groove rather than a flat gasket seal to distinguish Minuteman's claim from the prior art. Second, Hill claimed the use of a tongue-in-groove over a flat gasket seal was more advantageous in the Original Patent application. (Appendix "C", pp. A-40 - A-42)

C-Vac's claims in the case at bar arise from Minuteman's actions in prosecuting the Original and Reissue Patents before the Patent Office and in attempting to enforce the Reissue Patent against C-Vac. C-Vac's Complaint alleges that Minuteman violated the antitrust laws by various of its actions. These actions include Minuteman's enforcement of the patent after Minuteman fraudulently withheld its own use of flat gasket seals from the Patent Office when the Original Patent was filed. They also include the fraudulent representations, which were made to the Patent Office by

Minuteman and Hill during the reissue process, that Hill was unaware of flat gasket seals. (R. 7-10).

In addition to its claims based on fraud, C-Vac also alleged in its Complaint in the present action that Minuteman brought the Illinois action to enforce the Reissue Patent, although it knew that this patent was invalid and unenforceable. (R. 10-11) Finally, the Complaint alleges that the Illinois action had no objective basis and was brought solely to harm C-Vac's business and to prevent C-Vac from competing with Minuteman in the sale of certain air filters used in Minuteman vacuum cleaners. (R. 10-11) Because Minuteman has a monopoly in the relevant market, C-Vac claims that these acts constitute illegal monopolization and attempted monopolization. (R. 9-11)

In affirming the district court's dismissal of C-Vac's claims, the Second Circuit ruled that C-Vac's claims were compulsory counterclaims in the Illinois action and that this Court's decision in Mercoid, 320 U.S. 661, creating an exception to the compulsory counterclaim rule, did not apply. The Second Circuit limited Mercoid to its facts and distinguished C-Vac's claims on the basis that Mercoid only applied in tying cases in which the validity of the underlying patent was not at issue.

REASONS FOR GRANTING THE PETITION

As the Second Circuit acknowledged in its opinion (Appendix "A", pp. A-11, A-12, n. 6), its decision conflicts with recent decisions of the Fifth and Ninth Circuits. Hydranautics v. FilmTec Corp., 70 F.3d 533 (9th Cir. 1995)

("Hydranautics")[3]; Tank Insulation Int'l. Inc. v. Insultherm, Inc., 104 F.3d 83 (5th Cir. 1997) ("Tank Insulation"). The Second Circuit, by its narrow reading of Mercoid, continued a disagreement among the Circuits about the scope of Mercoid that has existed for years.

It does not appear that there is any realistic prospect for resolving this conflict without a decision by this Court. Any appellate decision presumably would side with either the Fifth or Ninth Circuit cases or the recent Second Circuit case. If an appellate court went back even further in time to seek guidance on the scope of Mercoid, it would find conflicting Circuit Court decisions for nearly 20 years. See Burlington Indus., Inc. v. Milliken & Co., 690 F.2d 380 (4th Cir. 1982)(adopting same reasoning as Second Circuit); Fowler v. Sponge Prod. Corp., 246 F.2d 223, 227 (1st Cir. 1957) ("Fowler") (agreeing with C-Vac's reasoning).

The issue in question is important because patent infringement suits frequently give rise to potential antitrust claims under three different theories, all asserted by C-Vac in the case at bar. In Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172, 174 (1965) ("Walker Process"), the Supreme Court held that "the enforcement of a patent procured by fraud on the Patent Office may be violative of §2 of the Sherman Act ...." In Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 994 (9th Cir. 1979) ("Handgards"), the court ruled that a claim for monopolization under §2 of the Sherman Act may be premised upon the prosecution of a patent infringement suit brought "in bad faith, that is, with knowledge that the patents, though lawfully-obtained, were invalid." Finally, under the doctrine set forth in various Supreme Court

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[3] This Court refused to grant certiorari to the Fifth Circuit Court of Appeals in FilmTec Corp. v. Hydranautics, 510 U.S. 824 (1993).

cases, the most recent of which is Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49 (1993) ("PRE"), a claim exists for monopolization or attempted monopolization against a party that has brought a patent infringement suit if the suit is shown to have been both objectively baseless and subjectively intended to cause harm to the defendant in the patent case.

The number of recent district court decisions on this issue emphasize the frequency of the disagreement over the scope of Mercoid. E.g., Tindall v. Parks, No. 96-CV-7651, 1997 U.S. Dist. Lexis 12263 (S.D.N.Y. 1997)(construed Mercoid broadly); Longwood Mfg. Corp. v. Wheelabrator Clean Water Systems, Inc., 954 F.Supp. 17 (D. Me. 1996)(disagreed with Fowler, supra, but was bound to follow it); Rohm and Haas Co. v. Brotech Corp., 770 F.Supp. 928, 931 (D. Del. 1991)(limiting Mercoid to its facts); American Packaging Corp. v. Golden Valley Microwave Foods, Inc., 1995 W.L. 262522 (E.D. Pa. May 1, 1995)(limiting Mercoid to its facts); Boston Scientific Corp. v. Schneider (Europe) AG, 983 F.Supp. 245 (D. Mass. 1997)(discussing conflicting interpretations of Mercoid).

The Federal Circuit also confronted the issue in Genentech, Inc. v. Regents of University of California, 143 F.3d 1446 (Fed. Cir.), vacated on other grounds, ___ U.S. ___, 119 S.Ct. 2388 (1998). Because it erroneously reviewed the district court's decision on an abuse of discretion standard, the Federal Circuit did not definitively rule on the issue. The Court did note, however, that there was not "unanimity among the circuits" on this issue, and that this Court's decision in Mercoid "has occasioned varied application on particular facts." Id. at 1456.

Not surprisingly, given the varying interpretations of Mercoid, this issue--whether antitrust claims are compulsory in a patent infringement suit--has been the subject of recent practical legal commentary. See Teague I. Donahey, Antitrust Counterclaims in Patent Infringement Litigation: Clarifying the Supreme Court's Enigmatic Mercoid Decision, 81 J. Pat. 8 Trademark Off. Soc'y 493 (July 1999); Marc D. Machlin & David M. Young, Reining in Antitrust Counterclaims in Patent Infringement Cases, Antitrust Report 2 (April 2000).

By granting the writ for certiorari, this Court can resolve the conflict among the Circuits and define the scope and continuing vitality of Mercoid. C-Vac's position is that because judicial economy often is served by bifurcation of patent infringement and antitrust claims arising out of the patent suit, there is no reason to limit the Mercoid rule that such antitrust claims are permissive counterclaims. Finally, on the underlying merits of the case at bar, even apart from the Second Circuit's narrow and improper reading of Mercoid, it is clear that at least two of the three antitrust claims of C-Vac, which are in the nature of claims for malicious prosecution, were not claims that it had at the time of its responsive pleading in the Illinois action. Therefore, they were not required to be pled under Rule 13(a), which only requires interposition of claims one has "at the time" of the pleading, or under Rule 13(e), which defines as supplemental pleadings those which mature or are acquired after the initial pleading.

A. There Is a Clear, Recent Conflict Among the Circuits That Is Not Likely to Be Resolved Short of a Definitive Ruling of this Court.

While various cases have questioned the continuing validity of Mercoid, even as they have tried to distinguish it, several recent decisions, including decisions from the Fifth and

Ninth Circuits (Tank Insulation and Hydranautics), have recognized that Mercoid compels the conclusion that claims such as those being asserted by C-Vac here are permissive, and not mandatory, counterclaims. Of the five Circuit Courts that have interpreted Mercoid in cases involving antitrust claims arising from patent infringement suits, three have concluded that Mercoid held that such claims are permissive counterclaims and two have not.

In Mercoid, 320 U.S. 661, this Court ruled that an antitrust claim arising out of a patent infringement claim was a permissive, and not a mandatory, counterclaim. The issue arose in a second action involving a patent owned by Mid-Continent Investment Company ("Mid-Continent"). In that second action, Mid-Continent sued Mercoid, which asserted an antitrust counterclaim contending that Mid-Continent had unlawfully attempted to expand the scope of its patent. Mid-Continent argued that Mercoid should have asserted the claim as a counterclaim in an earlier patent suit (the first action) brought by Mid-Continent, which involved the same patent, and in which Mercoid, the manufacturer of the allegedly infringing device, paid for the defense of Smith, a customer of Mercoid. See Mid-Continent Inv. Co. v. Smith, 35 U.S.P.Q. 204 (W.D. Mo. 1937).

This Court assumed in its analysis that Mercoid was a party to the first action. Mercoid, 320 U.S. at 699. As a "party" to the first action, Mercoid could have asserted an antitrust counterclaim. However, this Court rejected Mid-Continent's argument that the antitrust claim had to have been asserted in the first action because it was a compulsory counterclaim. Rather, this Court held that the counterclaim was permissive. Id. at 671.

Since the Court's ruling, Mercoid has been subject to varying interpretations. In addition to the recent Fifth and Ninth Circuit decisions discussed in more detail below, the First Circuit in Fowler v. Sponge Products Corp., 246 F.2d 223, 227 (1st Cir. 1957), said that the "Supreme Court has clearly stated that a counterclaim for treble damages [under the antitrust laws] is permissive in nature...." Before the Second Circuit's decision at bar, the only Circuit Court opinion to the contrary was Burlington Indus., Inc. v. Milliken & Co., 690 F.2d 380 (4th Cir. 1982).[4]

In Tank Insulation, 104 F.3d 83, the Fifth Circuit reversed the district court's decision that the antitrust claim at issue was barred because it should have been asserted as a compulsory counterclaim in the prior patent infringement case. The plaintiff argued that, even if its claim met the definition of a compulsory counterclaim, Mercoid made an exception to that rule for antitrust actions based upon patent infringement lawsuits. After closely reviewing Mercoid, the Fifth Circuit said that it was "persuaded that the [Supreme] Court fully intended to say what it said and that the holding was not dicta. Mercoid is, therefore, binding precedent and decides the question before us." Id. at 86. The Fifth Circuit concluded that the Supreme Court "indeed created an exception to rule 13(a) for antitrust counterclaims in which the gravamen is the patent infringement lawsuit initiated by the counterclaim defendant." Id. at 87.

In Hydranautics, 70 F.3d 553, the Ninth Circuit concluded that Mercoid had held that a "claim that patent infringement litigation violated an antitrust statute is a

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[4] The Second Circuit in U.S. v. Eastport Steamship Corp., 255 F.2d 795, 805 (1958), had said in dicta, in a non-patent infringement case, that Mercoid was limited to its facts.

permissive, not a mandatory, counterclaim in a patent infringement case, and is not barred in the subsequent suit by failure to raise it in the infringement suit." The Court noted that while there might be some cases in which resolving both issues at once would be preferable, Mercoid allowed a party to raise its antitrust claims in a separate and subsequent action.

Because three Circuit Courts of Appeal have addressed and split on this issue in the past six years, its importance and the potential for reoccurrence are evident. The Fifth and Ninth Circuits have read Mercoid as holding that antitrust claims arising from patent infringement actions are permissive counterclaims, whereas the Second Circuit espouses an extremely narrow interpretation of Mercoid, essentially limiting its holding to cases of tying where validity of the underlying patent is not at issue. This conflict will continue to cause confusion in a complex and important area of the law.

B. Because Judicial Economy Is Served by the Bifurcation of Patent Infringement and Antitrust Claims Arising out of the Patent Infringement Suit, There Is No Reason to Read Mercoid Narrowly and Require Most Antitrust Claims Arising out of Patent Infringement Suits to Be Asserted as Compulsory Counterclaims.

In Hydranautics, 70 F.3d 553, the Ninth Circuit supported its decision by noting that Mercoid is consistent with the general practice of separating for trial patent infringement issues from antitrust issues because of the different elements of proof of each. Numerous cases have recognized the benefits of such a practice.

In Hunter Douglas, Inc. v. Comfortex Corp., 44 F.Supp.2d 145 (N.D.N.Y. 1999) ("Hunter Douglas"), the Court thoroughly analyzed the issue and cited various policy justifications for bifurcating such claims, noting how frequently this is done. In its decision, the Court reasoned that the practice of having antitrust and patent claims tried together had "left courts with the unenviable task of trial management in the light of the complex legal and factual issues brought to bear in patent/antitrust cases." Hunter Douglas, 44 F.Supp.2d at 149.

The Court further noted that several courts, including the Federal Circuit, have separated for trial the patent issues from those grounded in antitrust. Id. (citing Alarm Device Mfg. Co. v. Alarm Products Intern., Inc., 60 F.R.D. 199, 202 (E.D.N.Y. 1973) [stating that "[m]ore often than not, separate trials of patent validity-infringement claims and misuse-antitrust claims have been found to be salutary")]. In fact, In Re Innotron Diagnostics, 800 F.2d 1077, 1084 (Fed. Cir. 1986), the Federal Circuit noted with approval the "standard practice of separating for trial patent issues and those raised in an antitrust counterclaim," and it referred to 23 cases from various Circuits cited by one of the parties that supported the view that bifurcation was the "standard practice." As the Court pointed out in Hunter Douglas, failing to bifurcate could confuse a jury "because it would have the impossible task of compartmentalizing the legal, factual and economic concerns inherent in both patent and antitrust matters." Id. at 154.

If, as numerous courts have recognized, bifurcation is to be the ultimate result, the decision in Mercoid that antitrust claims need not be brought as counterclaims in the patent

infringement action remains appropriate, although perhaps not for the reasons that led to the Mercoid decision. The wealth of precedent requiring separate trials demonstrates that judicial economy and fairness do not mandate that these counterclaims should be compulsory. See Hydranautics, 70 F.3d at 536.

Indeed, a ruling that Mercoid requires antitrust claims to be asserted in the context of a patent infringement action would not comport with the Federal Rules' emphasis on narrowing and focusing issues in litigation. The recent amendments to Rule 26 limit attorney-controlled discovery to matters "relevant to the claim or defense of any party." Fed. R. Civ. P. 26(b)(1). The purpose of the amendments was "to reduce the costs of discovery, increase its efficiency,. . .and to encourage the judiciary to participate more actively in case management." Amendments to Federal Rules of Civil Procedure, Federal Rules of Evidence, Federal Rules of Criminal Procedure and Federal Rules of Bankruptcy Procedure, adopted April 17, 2000, effective December 1, 2000, reported at 192 F.R.D. 340, 356-57 (2000)

The procedure espoused by C-Vac for dealing with antitrust claims arising out of patent infringement suits, which procedure is sanctioned by Mercoid, allows the narrowing of issues for discovery and trial. The defendant can wait until it is successful in the infringement procedure case to assert antitrust claims rather than asserting them prematurely during the infringement case. Proceeding this way fosters judicial economy. As the Ninth Circuit said in Hydranautics, 70 F.3d at 537, there is "not much point in litigating" any antitrust claims arising out of the patent infringement suit until the patent infringement suit is resolved.

C. Even Apart from its Failure to Follow Mercoid, the Second Circuit's Decision Was Erroneous Because C-Vac's Antitrust Claim Was Not One it Had at the Time of Its Responsive Pleading in the Illinois Action.

In addition to its "Walker Process" claim (see, *supra*, p. 7), C-Vac's Complaint alleges that Minuteman sought to enforce a patent that it knew to be invalid and that it engaged in sham litigation to enforce this invalid patent. Both of these claims are essentially malicious prosecution claims that C-Vac did not have when it responded to the complaint in the Illinois action. Therefore, they were permissive pursuant to Rule 13(a), which only requires the interposition of claims had "at the time" of pleading, and pursuant to Rule 13(e), under which claims matured or acquired after the initial pleading are permissive counterclaims.

To enforce a patent known to be invalid violates the strictures first set forth first in Handgards. (See, *supra*, pp. 7). That Handgards-type cases (such as that brought by C-Vac here) are in the nature of malicious prosecution suits is revealed clearly by a later case in the Handgards history. In Ethicon, Inc. v. Aetna Cas. and Sur. Co., 737 F.Supp. 1320 (S.D.N.Y. 1990), the Court confronted the issue of whether Ethicon could seek reimbursement from its insurer for the judgment ultimately rendered against it in the Handgards litigation in California. In that litigation, of course, the claim for which Ethicon ultimately was found liable was an antitrust claim. In concluding that insurance coverage existed for Ethicon, the Southern District made it clear that it was basing its determination primarily on the fact that while the case in California had been won on an antitrust theory, it had at its heart the types of claims, such as malicious prosecution, for which insurance existed.

The Court in Hydranautics analogized the type of antitrust claim before it to a suit for malicious prosecution, noting that a plaintiff's claim in a malicious prosecution case (much like C-Vac's claims in the case at bar) attacks the suit itself as the wrong. 70 F.3d at 536. The Court said that it was generally the rule that a "malicious prosecution claim cannot be asserted as a counterclaim to the original suit which furnishes it predicate," and the Court went on to conclude that Mercoid was "consistent with this approach, and we see no reason to distinguish Mercoid from the case at bar." Id. at 537. As the Court said, "there was not much point in litigating Hydranautics' antitrust claims until FilmTec's infringement case was resolved." Id.

A claim that a party has engaged in sham litigation is almost synonymous with a claim for malicious prosecution. In fact, in PRE (see, *supra*, p. 8), the most recent Supreme Court decision dealing with the doctrine of sham litigation, this Court discussed the objective component involved in proving a claim of sham litigation. This Court held that the Court of Appeals had ruled properly that to satisfy the objective prong, the defendant had to have pursued claims "so baseless that a reasonable litigant could not realistically expect to secure favorable relief." Id. at 62.

The Supreme Court then said that if there were probable cause to start an action, this could preclude "a finding that an antitrust defendant has engaged in sham litigation." Id. In its discussion of the concept "of probable cause as understood and applied in the commonlaw tort of wrongful civil proceedings," Id., the Court noted that "[t]his tort is frequently called "malicious prosecution...." Id., at n.7.

While much of the focus in cases involving Rule 13(a) is on whether the claim arises "out of the transaction or occurrence that is the subject matter of the opposing party's claim," this focus can overlook the language in Rule 13(a) that a claim that has to be asserted as a compulsory counterclaim is one which "at the time of serving the pleading" the defendant has against the plaintiff. This is not a meaningless distinction, for Rule 13(e) specifically states that a counterclaim may be asserted later in an action if it "matured or was acquired by the pleader after serving a pleading...."

It may be argued that C-Vac should have taken the safe course and asserted antitrust counterclaims in its answer in the Illinois action in the event that such claims would later be regarded as compulsory. Leaving apart any obligations under Rule 11, courts have frowned on the assertion of certain claims in patent infringement suits unless there is a basis for such claims. For example, in Burlington Indus., Inc. v. Dayco Corp., 849 F.2d 1418, 1422 (Fed. Cir. 1988), the Court, in language applicable to indiscriminate assertion of antitrust counterclaims in patent infringement suits, said about the assertion of claims of inequitable conduct in patent infringement suits:

> We add one final word: the habit of charging inequitable conduct in almost every major patent case has become an absolute plague. Reputable lawyers seem to feel compelled to make the charge against other reputable lawyers on the slenderest grounds, to represent their client's interests adequately, perhaps. They get anywhere with the accusation in but a small

> percentage of the cases, but such charges are not inconsequential on that account. They destroy the respect for one another's integrity, for being fellow members of an honorable profession, that used to make the bar a valuable help to the courts in making a sound disposition of their cases, and to sustain the good name of the bar itself. A patent litigant should be made to feel, therefore, than an unsupported charge of "inequitable conduct" in the Patent Office is a negative contribution to the rightful administration of justice. The charge was formerly known as "fraud on the Patent Office," a more pejorative term, but the change of name does not make the thing itself smell any sweeter.

C-Vac had no obligation to assert its antitrust claim when it answered in the Illinois action when it had no basis for so alleging. The fact that malicious prosecution claims cannot be prosecuted until the defendant in the first action has been successful does not nullify the language in Rule 13(a) concerning compulsory counterclaims, but comports with that part of the Rule providing that a compulsory counterclaim is one that the defendant has against the plaintiff "at the time of serving the pleading." The claims asserted by C-Vac simply did not exist when it served its responsive pleading in the Illinois action. Rather, as contemplated by Rule 13(e), these claims matured and were acquired after that pleading.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be granted.

Dated: Rochester, New York
February 14, 2001

Respectfully submitted,

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APPENDIX A

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

August Term, 1999

(Argued: June 19, 2000 Decided: November 21, 2000)

Docket No. 00-7104

CRITICAL-VAC FILTRATION CORPORATION,

Plaintiff-Appellant,

—v.—

MINUTEMAN INTERNATIONAL, INC.,

Defendant-Appellee.

Before:

MINER, MCLAUGHLIN and CABRANES,

Circuit Judges.

Appeal from an order of the United States District Court for the Northern District of New York (Howard G. Munson, *Judge*) dismissing plaintiff's complaint. The District Court held that plaintiff's claims were barred because, pursuant to Federal Rule of Civil Procedure 13(a), they were compulsory

counterclaims that had to be asserted in a prior action between the same parties, notwithstanding the apparent exception to Rule 13(a) set forth in *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944), for antitrust actions arising out of prior patent infringement suits.

Affirmed.

PAUL R. BRAUNSDORF (Laura W. Smalley, *on the brief*), Rochester, NY, *for Plaintiff-Appellant.*

JAMES R. MULDOON (David E. Peebles, *of counsel*, James J. Hill, *on the brief*), Syracuse, NY, *for Defendant-Appellee.*

JOSÉ A. CABRANES, *Circuit Judge*:

The question presented is whether the District Court properly dismissed plaintiff-appellant's complaint on the ground that its antitrust claims were compulsory counterclaims that had to be raised in a previous patent infringement suit.

Critical-Vac Filtration Corporation ("C-Vac") appeals a January 7, 2000 order[1] of the United States District Court for the Northern District of New York (Howard G. Munson, *Judge*) dismissing its complaint, which alleged violations of

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[1] Appellate jurisdiction exists despite the fact that a separate judgment was not entered. *See Selletti v. Carey*, 173 F.3d 104, 109-10 (2d Cir. 1999) ("Where an order appealed from clearly represents a final decision and the appellees do not object to the taking of an appeal, the separate document rule is deemed to have been waived and the assumption of appellate jurisdiction is proper."). Accordingly, we have jurisdiction over the appeal of the January 7, 2000 order.

antitrust laws by Minuteman International, Inc. ("Minuteman"). The District Court held that C-Vac's claims were barred because, pursuant to Federal Rule of Civil Procedure 13(a), they were compulsory counterclaims that had to be asserted by C-Vac in Minuteman's earlier patent infringement suit against C-Vac in the United States District Court for the Northern District of Illinois. C-Vac denies that its current claims were compulsory counterclaims in the Illinois action and, relying on *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944), maintains that the Supreme Court has recognized an exception to Rule 13(a) for antitrust actions following patent infringement litigation between the same parties, and that under this exception C-Vac's claims against Minuteman in the instant action are not barred. For the reasons stated below, we affirm the order of the District Court.

I.

Both C-Vac and Minuteman manufacture and sell replacement high efficiency particulate air filters ("HEPA filters") for industrial and commercial use vacuum cleaners built by Minuteman. They are the only two manufacturers of HEPA filters in the United States. In 1995, Minuteman initiated an action for patent infringement in the Northern District of Illinois, alleging that the replacement filters marketed by C-Vac and other defendants infringed on Minuteman's "reissue patent."[2] *See Minuteman Int'l, Inc. v. Critical-Vac Filtration Corp.*, No. 95 C 7255, 1997 WL 370204 (N.D. Ill. Jun. 27, 1997), *aff'd*, 152 F.3d 947 (Fed. Cir. 1998) (unpublished table decision) ("the Illinois action"). In its defense, C-Vac argued that Minuteman's reissue patent was invalid and unen-

[2] A reissue patent is an amended patent that may be issued by the Patent Office following an application by the patentee "[w]henever [the original] patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid." 35 U.S.C. § 251.

forceable because Minuteman had improperly broadened the scope of its original patent by making deliberate misrepresentations to the Patent Office in its reissue application. *See id.* at *6-*8. C-Vac also counterclaimed seeking a declaratory judgment that Minuteman's reissue patent was invalid—and, therefore, that it could not have been infringed—along with attorneys' fees and costs.[3]

The Illinois court granted summary judgment in favor of C-Vac on Minuteman's patent infringement claim, reasoning that "Minuteman improperly acquired a broader claim through reissue" and thereby sought to acquire a patent over "subject matter deliberately surrendered during prosecution [of the original patent]." *Id.* at *8. Its holding did not deny the validity of Minuteman's original patent but, rather, that of the broader reissue patent. *See id.* at *6-*8.

In July 1999, C-Vac filed the complaint in the instant suit, alleging that Minuteman engaged in acts of monopolization and attempted monopolization in violation of Section 2 of the Sherman Act, 15 U.S.C. § 2, and Sections 340 *et seq.* of the General Business Law of New York. C-Vac claims that, in an attempt to secure a monopoly, Minuteman: (1) committed a fraud on the Patent Office; (2) tried to enforce a patent it knew was invalid; and (3) engaged in sham litigation against C-Vac and other companies. C-Vac seeks monetary damages equal to its attorneys' fees and costs in this litigation, and triple its attorneys' fees and costs in the Illinois litigation. In response, Minuteman argues that C-Vac is barred from now asserting these claims because, under Federal Rule of Civil Procedure 13(a), they were compulsory counterclaims that had to be raised in the Illinois litigation.

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[3] C-Vac also brought counterclaims alleging that Minuteman had engaged in false advertising and unfair competition by using misleading language in its warning labels, and seeking monetary damages. *See Minuteman*, 1997 WL 370204, at *8-*9. The Illinois court granted summary judgment for Minuteman on these claims.

Holding that C-Vac's antitrust claims had been compulsory counterclaims in the Illinois action, Judge Munson granted Minuteman's motion to dismiss the complaint. *See Critical-Vac Filtration Corp. v. Minuteman Int'l, Inc.*, No. 99-CV-1115, 2000 WL 14654, at *4 (N.D.N.Y. Jan. 7, 2000). This timely appeal followed.

II.

Federal Rule of Civil Procedure 13(a) provides in relevant part:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader *has* against any opposing party, if it *arises out of the transaction or occurrence that is the subject matter of the opposing party's claim* . . . .

(emphasis added). A claim is compulsory if "a *logical relationship* exists between the claim and the counterclaim and [if] the *essential facts of the claims are so logically connected* that considerations of judicial economy and fairness dictate that all the issues be resolved in one lawsuit." *Adam v. Jacobs*, 950 F.2d 89, 92 (2d Cir. 1991) (internal quotation marks omitted) (emphasis added). If a party has a compulsory counterclaim and fails to plead it, the claim cannot be raised in a subsequent lawsuit. *See, e.g., Baker v. Gold Seal Liquors, Inc.*, 417 U.S 467, 469 n.1 (1974).

On appeal, C-Vac argues that its claims in the instant case do not arise out of the same transaction or occurrence as its defenses and counterclaims in the Illinois litigation, and that it did not "have" its current claims at the time and therefore could not have pleaded them as counterclaims pursuant to Rule 13(a). C-Vac also argues that, in any event, the Supreme Court in *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661 (1944), created an exception to Rule 13(a) for antitrust

claims of patent misuse arising out of prior patent infringement litigation, and that the *Mercoid* exception applies here.

Accordingly, we must determine whether C-Vac's allegations of patent misuse should be treated as compulsory counterclaims pursuant to Rule 13(a) and, if so, whether an exception applies pursuant to *Mercoid*.

A.

Minuteman argues that C-Vac's current claims arise out of the same transaction or occurrence as its defenses in the Illinois litigation, and that C-Vac "had" those claims and could have raised them at the time. We agree.

In the Illinois action, C-Vac argued that Minuteman's reissue patent was invalid because it was not based on "error" within the meaning of 35 U.S.C. § 251, which sets forth the standard for reissue. *See Minuteman*, 1997 WL 370204, at *6. This statute entitles a patentee to a reissue patent "[w]henever any patent is, through *error without any deceptive intention*, deemed wholly or partly inoperative or invalid . . . by reason of the patentee claiming more or less than he had a right to claim in the patent." 35 U.S.C. § 251 (emphasis added). The Illinois court held that Minuteman's assertion in its reissue application—that it had committed "error" in its original application by mistakenly using unduly narrow language and that, as a result, it had inadvertently obtained a narrower patent than it was entitled to obtain—was "not credible," because a review of the original application revealed that Minuteman had deliberately adopted the narrower language to distinguish its invention from the prior art. *Minuteman*, 1997 WL 370204, at *7. Accepting C-Vac's argument that Minuteman was not entitled to a reissue patent for claims it had previously surrendered, the Illinois court invalidated Minuteman's reissue patent and granted summary

judgment in favor of C-Vac on the issue of non-infringement. *See id.* at *8 ("A court can declare a patent invalid on a summary judgment motion where . . . the [undisputed] facts require a holding of invalidity." (internal quotation marks and citation omitted)).

In the instant case, C-Vac alleges that Minuteman intentionally deceived the Patent Office and knowingly tried to enforce an invalid patent by pursuing sham litigation against C-Vac and other alleged infringers. Specifically, C-Vac alleges that Minuteman "secur[ed] by fraud [ ] a patent for the purpose of preventing C-Vac from competing with Minuteman in the sale of [HEPA filters]"; attempted "to enforce a patent it knew to be invalid"; and used "patent litigation against C-Vac and others to enforce a patent which, even if valid, Minuteman knew was not being infringed and was not enforceable," thereby attempting "to extend the patent beyond its lawful scope." Complaint ¶¶ 1A-1C.

An obvious "logical relationship" exists between these claims and the issues addressed by the earlier patent infringement suit, and "the essential facts of the claims are so logically connected that considerations of judicial economy and fairness dictate that all the issues [should have been] resolved in one lawsuit," as indeed they largely were.[4] *Adam*, 950 F.2d at 92 (internal quotation marks omitted). Moreover, C-Vac has not now alleged any facts that arose after the filing of its answer in the Illinois litigation. Minuteman is correct in asserting that "[a]ll these facts were not only known to C-Vac, they were pleaded in the first action and specifically dealt with in the decision of the Illinois court." Therefore,

[4] There are two basic differences between C-Vac's claims here and the ones in Illinois: (1) C-Vac now alleges violations of antitrust laws for the first time; and (2) C-Vac is seeking damages instead of declaratory relief. Nevertheless, these claims arise out of the same transaction or occurrence as the Illinois litigation and are therefore within the scope of Rule 13(a).

C-Vac's antitrust claims, which arise out of the same facts, should have been raised in the Illinois action.

It is thus clear that C-Vac's claims were compulsory counterclaims in the Illinois action and that, under Rule 13(a), they are barred, unless the asserted *Mercoid* exception applies.

B.

C-Vac argues that *Mercoid*, 320 U.S. 661, creates an exception to the compulsory counterclaim rule for antitrust suits commenced after patent infringement litigation between the same parties, and that the exception applies here. Minuteman contends that to permit C-Vac to proceed with these claims would expand *Mercoid* beyond its proper scope, both because the facts in *Mercoid* differ significantly from those at bar, and because the theories articulated by C-Vac were not grounds for antitrust claims at the time of the *Mercoid* decision fifty-six years ago. Minuteman's first argument is correct, and it provides a sufficient basis for the District Court's decision to dismiss this action.

We review the facts in *Mercoid* in some detail in order to make clear the distinction between that case and the case before us. In *Mercoid*, the Supreme Court allowed the defendant in a patent infringement lawsuit, the Mercoid Corporation ("Mercoid"), to raise an antitrust counterclaim that it had failed to raise in a prior patent infringement lawsuit brought by the same plaintiff, the Mid-Continent Investment Corporation ("Mid-Continent"). *See Mercoid*, 320 U.S. at 669-72. Mid-Continent was the holder of a patent for a domestic heating system composed of a furnace and a separate thermostatic control device. In the earlier proceeding, Mid-Continent had sued a Mercoid customer by the name of E.O. Smith for patent infringement as a result of his installation of a heating system in his home that used a thermostatic control device

manufactured by Mercoid. *See Mid-Continent Inv. Co. v. Smith*, 35 U.S.P.Q. 204 (W.D. Mo. 1937). Mercoid was not made a party to the lawsuit, but directed and paid for its customer's unsuccessful defense. *See Mid-Continent Inv. Co. v. Mercoid Corp.*, 43 F. Supp. 692, 693 (N.D. Ill. 1942) (providing, in subsequent case, a brief history of the prior litigation).

After prevailing against Smith, Mid-Continent sought to initiate settlement negotiations with Mercoid for having installed thermostatic control devices in other homes, and sent Mercoid a license agreement that would have required payment of a license fee for the sale of each such device. *See Mid-Continent*, 43 F. Supp. at 694-95. When Mercoid refused to cooperate, Mid-Continent filed a second patent infringement suit—this time against Mercoid—in the Northern District of Illinois. *See id.* at 692. Mercoid responded with an antitrust counterclaim challenging Mid-Continent's licensing practices and seeking damages under the Sherman Act. *See id.*

Mercoid prevailed in the District Court, *see id.*, but lost on appeal, *see Mid-Continent Inv. Co. v. Mercoid Corp.*, 133 F.2d 803 (7th Cir. 1942). The Seventh Circuit held that Mercoid was liable for contributory infringement, that Mid-Continent's licensing efforts were proper, and that Mercoid was barred by principles of res judicata from raising its antitrust counterclaim because it had failed to raise the claim when it defended Smith in the earlier proceeding. *See id.* at 811.

The Supreme Court reversed. *See Mercoid*, 320 U.S. 661. Writing for a 5-4 majority, Justice Douglas began by observing that "[t]he grant of a patent is the grant of a special privilege," *id.* at 665, and that Mid-Continent's actions were "a graphic illustration of the evils of an expansion of the patent monopoly by private engagements," *id.* at 666. Reasoning

that Mid-Continent's patent covered only the heating system, not its individual components, Justice Douglas explained that Mid-Continent's misuse of its patent "for the purpose of monopolizing unpatented material" barred relief against Mercoid. *Id.* at 668.

Justice Douglas then rejected Mid-Continent's argument that res judicata barred Mercoid's defenses and counterclaim for damages. That argument, he reasoned, would place the Court's "imprimatur on a scheme which involves a misuse of the patent privilege and a violation of the anti-trust laws. It would aid in the consummation of a conspiracy to expand a patent beyond its legitimate scope." *Id.* at 670. Turning specifically to Mercoid's counterclaim, Justice Douglas wrote:

> Though Mercoid were barred in the present case from asserting any defense which might have been interposed in the earlier litigation, it would not follow that its counterclaim for damages would likewise be barred. That claim for damages is more than a defense; it is a separate statutory cause of action. The fact that it might have been asserted as a counterclaim in the prior suit by reason of Rule 13(b) of the Rules of Civil Procedure does not mean that the failure to do so renders the prior judgment res judicata as respects it.

Id. at 671. As this passage indicates, the Court treated Mercoid's counterclaim as permissive, citing Rule 13(b),[5] rather than as compulsory pursuant to Rule 13(a). Justice Douglas continued:

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[5] Federal Rule of Civil Procedure 13(b) provides: "**Permissive Counterclaims.** A pleading may state as a counterclaim any claim against an opposing party not arising out of the transaction or occurrence that is the subject matter of the opposing party's claim."

> The case is then governed by the principle that where the second cause of action between the parties is upon a different claim the prior judgment is res judicata not as to issues which might have been tendered but 'only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered.'

Id. (quoting *Cromwell v. County of Sac*, 94 U.S. 351, 353 (1876)). Concluding that the previous lawsuit had resolved different "matters in issue or points controverted" than those involved in the dispute before it, the Court held that principles of res judicata did not bar Mercoid's antitrust counterclaim for damages. *See id.*

The Court thus applied the permissive counterclaim rule, or Rule 13(b), to an antitrust claim arising out of the same transaction or occurrence as earlier patent infringement litigation between the same parties. In doing so, the Court effectively created an exception to the more stringent requirements of Rule 13(a)—which *requires* a party to raise as a counterclaim any claim arising out of the same transaction as earlier litigation between the same parties, and which *should* have required Mercoid to raise its antitrust claims in the earlier litigation or lose them—without acknowledging or explaining the exception as such. We have observed that *Mercoid* "fail[ed] . . . to discuss the principles on which [its] decision rest[ed]," and have held that the *Mercoid* exception to Rule 13(a) should be limited to the facts in that case. *United States v. Eastport Steamship Corp.*, 255 F.2d 795, 805 (2d Cir. 1958). We reiterate that view here, and conclude that the *Mercoid* exception does not apply to C-Vac's claims in the instant lawsuit.[6]

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[6] It bears noting that, for generations, the *Mercoid* decision has been subject to serious criticism by the courts and by commentators. *See Eastport*, 255 F.2d at 805 (limiting *Mercoid* to its facts); *see also, e.g., Burlington*

Our conclusion is based on a recognition of the distinction between claims of patent *misuse* and claims of patent *invalidity*. Specifically, Mercoid's antitrust counterclaim was based on Mid-Continent's misuse of a *valid* patent, whereas C-Vac's antitrust claims in the instant suit are based on Minuteman's attempt to enforce an *invalid* reissue patent. Unlike the patentee in *Mercoid*, Minuteman did not use private license agreements to expand its monopoly. Rather, Minuteman obtained an invalid reissue patent by using broad claim language and, then, instituted patent infringement litigation to enforce this patent. Although the *Mercoid* Court did not explain why the "evil" at issue in that case—the misuse of a valid patent—should render permissive an otherwise compulsory counterclaim, it was nevertheless that particular "evil," and *not* the attempted enforcement of an invalid patent, that the Court sought to address by carving out an exception to Rule 13(a).

Indus. Inc v. Milliken & Co., 690 F.2d 380, 389 (4th Cir. 1982) (*Mercoid*'s "continuing validity is open to serious question"); *Longwood Mfg. Corp. v. Wheelabrator Clean Water Sys., Inc.*, 954 F. Supp. 17, 18 (D. Me. 1997) (*Mercoid* has been "roundly criticized"); *USM Corp. v. SPS Tech., Inc.*, 102 F.R.D. 167, 169-70 (N.D. Ill. 1984) ("overwhelmingly criticized"); *Lewis Mfg. Co. v. Chisholm-Ryder Co.*, 82 F.R.D. 745, 750 (W.D. Pa. 1979) ("criticized in detail"); *Borden Co. v. Sylk*, 42 F.R.D. 429, 432 (E.D. Pa. 1967) (*Mercoid* "assumed" without holding that counterclaim before it was permissive); *Douglas v. Wisconsin Alumni Research Found.*, 81 F. Supp. 167, 170 (N.D. Ill. 1948) (noting "inherent weaknesses in the rationale of the *Mercoid* decision"); 3 JAMES WM. MOORE ET AL., MOORE'S FEDERAL PRACTICE § 13.12[2] (3d ed. 1999); WRIGHT, MILLER & KANE, FEDERAL PRACTICE AND PROCEDURE § 1412, at 90-91 (1990). However, *Mercoid* has never been overruled and recently two of our sister Circuits have recognized its continuing vitality. *See Tank Insulation Int'l, Inc. v. Insultherm, Inc.*, 104 F.3d 83, 87-88 (5th Cir. 1997); *Hydranautics v. FilmTec Corp.*, 70 F.3d 533, 536 (9th Cir. 1995). To the extent that these opinions suggest that *Mercoid* creates an exception so broad that it applies to *any* antitrust claim following a patent infringement suit between the same parties, we decline to adopt their view. Rather, we adhere to our own precedent in limiting the holding in *Mercoid* to its own set of facts. *See Eastport*, 255 F.2d at 805.

Moreover, the patent misuse/patent validity distinction provides a sensible rationale for the *Mercoid* exception to Rule 13(a). Antitrust claims based on patent *misuse*, such as the counterclaims in *Mercoid*, are likely to involve factual issues distinct from those involved in patent infringement litigation between the same parties. Indeed, this seems to have been true in *Mercoid*—as the Supreme Court observed in that case, Mercoid's antitrust counterclaims involved *different* "matters in issue or points controverted" from those involved in the earlier patent infringement litigation. *Mercoid*, 320 U.S. at 671.[7] In contrast, antitrust claims based on patent *invalidity*, such as C-Vac's claims in the instant case, will generally involve the *same* factual issues as those involved in patent infringement litigation between the same parties—as they do here. As a result, an exception to Rule 13(a) for at least some patent misuse claims will, in fact, generally be *consistent* with the purpose of that rule—that is, with the resolution of all "logically connected" claims between the same parties in the same proceeding, *see Adam*, 950 F.2d at 92—whereas an exception to Rule 13(a) for patent invalidity claims would generally contradict the purpose of that rule. As one commentator has explained:

> If patent infringement claims are frequently bifurcated from antitrust counterclaims and tried separately under Rule 42(b), it would seem that the same underlying logic would apply equally to Rule 13(a). In other words, if judicial economy is promoted by severing two claims and trying them separately, it would seem inappropriate and illogical to regard either claim as a compulsory counterclaim to the other and require consolidation. *The*

[7] In fact, to the extent that the "matters in issue or points controverted" in an antitrust claim are so different from those involved in prior litigation between the same parties that *no logical connection* seems to exist between them, the compulsory counterclaim rule would not bar the antitrust claim in any event.

task, then, is to determine whether consolidation of the two claims would promote the basic purposes of Rule 13(a).

> [In] [a]ntitrust counterclaims related to patent *validity* . . . , the determination of validity bears directly on the issue of infringement, thus suggesting that the two claims should be litigated in tandem. On the other hand, counterclaims related to *misuse* and other more economically oriented antitrust claims would seem generally to be distinct in nature and substance from patent validity and infringement issues. These types of antitrust counterclaims should be tried separately as a general rule and, accordingly, should usually be deemed permissive under Rule 13(b), subject of course to the court's discretion.

Teague I. Donahey, *Antitrust Counterclaims in Patent Infringement Litigation: Clarifying the Supreme Court's Enigmatic* Mercoid *Decision*, 39 IDEA: J. L. & TECH. 225, 249-50 (1999) (emphasis added) (citations omitted).[8] In short, an exception to Rule 13(a) for certain patent *misuse* claims generally serves the goal of judicial economy, whereas an exception for patent *invalidity* claims is likely to subvert that goal.

The distinction between patent misuse and patent invalidity claims thus provides an appropriate rationale for *Mercoid*'s

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[8] Federal Rule of Civil Procedure 42(b), cited by Donahey in the quoted passage, provides:

> **(b) Separate Trials.** The court, in furtherance of convenience or to avoid prejudice, or when separate trials will be conducive to expedition and economy, may order a separate trial of any claim, cross-claim, counterclaim, or third-party claim, or of any separate issue or of any number of claims, cross-claims, counterclaims, third-party claims, or issues, always preserving inviolate the right of trial by jury as declared by the Seventh Amendment to the Constitution or as given by a statute of the United States.

exception to Rule 13(a), and an adequate explanation of the reason why that exception does not apply to C-Vac's claims. In the absence of further guidance in *Mercoid*, we regard the patent misuse/patent validity distinction as a practical and useful way of distinguishing between *Mercoid* and the case at bar, and hold that the *Mercoid* exception to Rule 13(a) does not apply to antitrust claims that raise the issue of patent validity and are, therefore, logically connected to the issue of patent infringement.[9]

Accordingly, we conclude that the *Mercoid* exception does not apply to the C-Vac antitrust claims at issue here. Because these claims rest on allegations of patent invalidity, they were compulsory counterclaims in the Illinois patent infringement litigation and, under Rule 13(a), should have been asserted there. C-Vac's claims in the instant action are therefore barred.

III.

For the reasons stated above, we hold that C-Vac's claims are compulsory counterclaims under Rule 13(a) and that the *Mercoid* exception does not apply. Accordingly, we **AFFIRM** the order of the District Court.

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[9] Our holding in this case does not imply that *any* antitrust claim raising the issue of patent misuse will necessarily benefit from an exception to Rule 13(a) under *Mercoid*. Whether an antitrust claim based on patent misuse is so logically connected to a claim of patent infringement as to constitute a compulsory counterclaim under Rule 13(a) is a determination that courts must make on the basis of the facts presented in the particular case.

APPENDIX B

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF NEW YORK

CRITICAL-VAC FILTRATION CORPORATION,

Plaintiff,

v.

MINUTEMAN INTERNATIONAL, INC.,

Defendant.

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Howard G. Munson, S.J.

MEMORANDUM-DECISION and ORDER

Background

Plaintiff, Critical -Vac Filtration Corporation ("C-Vac"), independently manufactures and sells a replacement high efficiency particulate air filter ("HEPA" replacement filter) for industrial and commercial use vacuum cleaners built by defendant Minuteman International, Inc. ("Minuteman"), an Illinois Corporation. Minuteman also makes and sells HEPA replacement filters. C-Vac and Minuteman are the only companies that produce the HEPA replacement filter for the Minuteman vacuum cleaner, and the entire United States is the geographic relevant market in which they compete for the sale of this filter. In the spring of 1997, these parties participated in a patten infringement lawsuit in the United States District Court, Northern District of Illinois, Eastern District ("Illinois litigation"). In that action, Minuteman alleged that the HEPA replacement filters for its vacuum cleaners manufactured and marketed by C-Vac infringed on Minuteman's patent for such filters. Both parties moved for summary judgment and the

proceeding ended when the court granted C-Vac's motion on the issue of non-infringement and entered judgment against Minuteman's on its claim of infringement. Minuteman International, Inc. v. Critical-Vac Filtration Corporation, 1997 WL 370204 (N.D. Ill. E. Div. June 27, 1997), *aff'd mem.*, 152 F.3d 947 (D.C. Cir. April 3, 1998). On July 20, 1999, C-Vac filed the complaint in this action accusing Minuteman of certain antitrust law transgressions arising from Minuteman's patent infringement suit in Illinois. rct.

Discussion

Currently before the court is defendant's motion pursuant to 12(b)(6) of the Federal Rules of Civil Procedure seeking dismissal of the complaint on the basis that the claims pleaded therein are barred as a matter of law because they comprise compulsory counterclaims under 13(a) of the Federal Rules of Civil Procedure, and were not pleaded in the prior action between the same parties in the Illinois litigation. Plaintiff opposes this motion maintaining that the present lawsuit should continue because the counterclaims in the Illinois litigation were permissive and, therefore, may be properly used as the subject matter of this action.

A dismissal under 12(b)(6) is a dismissal on the merits of the action, a determination that the facts alleged in the complaint fail to state a claim upon which relief may be granted. Teltronics Services Inc. v. L M Ericsson Telecommunications, Inc. 642 F.2d 31, 34 (2d Cir.) *cert. denied*, 452 U.S. 960, 101 S. Ct. 3108, 69 L. Ed.2d 971 (1981). In deciding a 12(b)(6) motion, the court must "accept as true all of the allegations in the complaint and all reasonable inferences that can be drawn therefrom, and view them in a light most favorable to the nonmoving party." Rocks v. Philadelphia, 868 F.2d 644, 645 (3rd Cir. 1989). Dismissal of a claim is not proper unless it is obvious that the plaintiff is unable to prove no set of facts supporting his claim which will enable him to prevail. Robb v. Philadelphia, 733 F.2d 286, 290 (3rd Cir. 1984). A complaint may be dismissed, however, when the facts pleaded and the reasonable inferences therefrom are legally insufficient to support the relief sought. Pennsylvania v. el rel. Zimmermann v. Pepsico. Inc., 836 F.2d 173, 179 (3rd Cir. 1988). "The function of a motion to dismiss is merely to assess the legal feasibility of the complaint, not to assay the weight of the evidence which might be offered in support thereof." Ryder

Energy Distribution Corp. v. Merrill Lynch Commodities, Inc., 748 Fed.2d 744, 749 (2d Cir. 1984) (quoting Geisler v. Petrocelli, 616 F.2d 636, 639 (2d Cir. 1980)).

In the instant case, plaintiff C-Vac has set forth seven causes of action against defendant Minuteman for monopolization or attempted monopolization based upon Minuteman's instituting the Illinois litigation. The complaint alleges that Minuteman committed assorted acts of patent misuse including securing the patent in question by committing a fraud on the Patent office and commencing the Illinois litigation to enforce a patent that Minuteman knew was invalid and was not being infringed, in order to prevent C-Vac from competing with Minuteman in the sale of the HEPA replacement filters used in Minuteman's vacuum cleaners. C-Vac claims that Minuteman's conduct was part of an illegal endeavor to monopolize HEPA sales within the relevant market.

In its current motion before the court, Minuteman contends that C-Vac may not assert these claims now because C-Vac raised as defenses in the Illinois litigation Minuteman's alleged deceitful performance in dealing with the Patent Office, the invalidity of the patent and C-Vac's noninfringement of the patent.

Rule 13(a) of the Federal Rule of Civil Procedure states:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication

the presence of third parties to whom the court cannot acquire jurisdiction.

Any such claim not pleaded in a prior action is thereafter barred. The rule is intended to avert piecemeal litigation, and serves the public interests of finality and conservation of judicial resources.

Under the Federal Rules of Civil Procedure, a defendant's claim of set off against a plaintiff is done by including a counterclaim in the answer to the complaint Fed.R.Civ.P.13. The Rule provides for compulsory counterclaims which usually involve claims that the defendant has at the time of his answer that arose out of the same occurrences or transaction as the claim advanced by the plaintiff. Fed.R.Civ.P.13(a). The Rule also provides for permissive counterclaims that are mainly claims of the defendant that did not arise out of the same transaction as the claims advanced by the plaintiff. Fed.R.Civ.P.13(b).

The provision in 13(a) for compulsory counterclaims does not mean that the defendant is constrained to put forth the claim and cannot waive it. It only means that if the claim is one that is within the scope of Rule 13(a) and is not inserted in the counterclaim, its insertion in a subsequent lawsuit will be vulnerable to the defense of estoppel. If the action proceeds to judgment without the interposition of the counterclaim as required by subdivision (a) of this rule, the counterclaim is barred. United States v. Eastport Steamship Corp., 255 F.2d 795,805 (2d Cir. 1958). Likewise, the provision for permissive counterclaims in subdivision (b) does not mean that the defendant who chooses not to assert such a claim in his answer is permitted to assert it at his whim later in the proceeding or as a post judgment remedy for self-help. It simply means that if he decides not to plead it as a counterclaim, this election has no

estoppel consequence that would preclude him from pleading it in a later action. Brady v. C.F. Schwartz Co., 723 F. Supp. 1045 1048 (D.C. Del. 1989).

The dominant criterion for deciding whether a counterclaim is compulsory is not whether additional evidence would be required to prove the counterclaim; it is whether, in the interest of judicial economy, the causes arose out of the same transaction or occurrence and should reasonably be litigated in the same suit. In making this decision which involves judicial discretion, the court must give weight to the advantages of consolidation, efficiency, and expedition, in requiring that the issues arising from related facts be litigated in the same suit.

The factual predicates for C-Vac's present monopoly claims are all within the scope of the Illinois litigation. The parties were the same, the patent was the same, and the defenses of noninfringement, invalidity and misrepresentation to the Patent Office were specifically pleaded by C-Vac in the Illinois litigation, which stands dismissed with all right of appeal exhausted. The question to be determined is whether these facts are sufficient to make Minuteman's Illinois litigation counterclaims compulsory.

Initially it must be noted, that there is no unanimity among the circuits on this question as applied to antitrust counterclaims in patent infringement suits, and the Supreme Court's statement in its sharply divided decision on this issue in Mercoid v. Mid-Continental Inv. Co., 320 U.S. 661, 64 S. Ct. 268, 88 L. Ed. 376 (1944), has been read and followed rather restrictively, and frequently been distinguished. "Although it still stands as a valid law, Mercoid has been widely and severely criticize and most courts have narrowed it

to its facts." Rohm & Haas Company, 770 F. Supp. 928, 932 (D. Del. 1991).

In Mercoid, the Court held that a counterclaim for damages under the antitrust laws in a patent infringement suit is permissive in nature so that a failure by a defendant to plead it in a prior patent suit does not bar a subsequent independent action by the defendant under the antitrust laws. An antitrust claim for damages "is more than a defense; it is a separate statutory cause of action. The fact that it might have been asserted as a counterclaim in the prior patent [suit] by reason of Rule 13(b) Fed.R.Civ.P. [permissive counterclaims], does not mean that the failure to do so renders the prior judgment res judicata as respects it." Id. at 671, 64 S. Ct. at 274.

While Mercoid has recently been followed by two federal courts of appeals, Tank Insulation International, Inc. v. Insultherm, Inc., 104 F.3d 83, 86 (6th Cir. 1997) and Hydranautics v. Filmore Corp., 70 F.3d 533, 536 (9th Cir. 1995), several other courts have questioned its continuing validity and confined it narrowly to its facts. Burlington Indus. Inc. v Milliken & Co., 690 F.2d 380, 389 (4th Cir. 1982) *cert. denied*, 461 U.S. 914, 103 S. Ct. 1893, 77 L. Ed.2d 283 (1983); American Packaging Corp. v. Golden Valley Microwave Foods. Inc., 1995 WL 262522 (E.D. Pa May 1, 1995); Rohm & Haas Co. v. Brotech Corp., 770 F. Supp 928, 933 (D. Del. 1991); Lewis Manufacturing Co., Inc. v. Chisholm-Ryder Co. Inc., 82 F.R.D. 745, 750 (W.D. Pa. 1979).

The Second Circuit adopted a restricted application of Mercoid in United States v. Eastport Steamship, when it held that "[i]n view of the criticism which the decision has received and the failure of the court to discuss the principles upon which the decision rests, we think that Mercoid cannot be taken as precedent for other than its own limited facts." 255 F.2d 795,

805 (2d Cir. 1958). The Mercoid case concerned a patent infringement claim for a patent directed to a combination of elements for controlling a combustion stoker. One switch element was unpatented but the patent owner conditioned the grant of a license for the patented combination on the purchase of the unpatented switch from its licensee. The Supreme found that this to be a conspiracy between the patentee and the licensee to expand the extent of the patent monopoly to unpatented mechanisms. The Court found that the monopoly of a patent cannot be pressed to include an unpatented article and denounced the patentee's action as "a graphic illustration of the evils of expansion of the patent monopoly by private engagements. Mercoid, 320 U.S. at 666, 64 S. Ct. at 271.

In the Illinois litigation, Minuteman's patent covered the replacement filter C-Vac manufactured, not an unpatented element of a combination. The Illinois court found no infringement by C-Vac, but left Minuteman's patent still valid and enforceable. Furthermore, the three legal concepts used for C-Vac's antitrust claims did not develop as grounds for antitrust causes for a protracted period of time after the Mercoid decision. "Walker Process" claims based on enforcement of a fraudulently procured patent, Walker Process Equipment.. Inc. v Food Mach & Chemical Corp., 382 U.S. 172, 174, 86 S. Ct. 347, 350 (1965); "Handgards" claims based on bad-faith claims knowing the patent to be invalid, Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 994 (9th Cir. 1979), *cert. denied,* 444 U.S. 1025, 100 S.Ct. 688, 62 L. Ed.2d 655 (1980); and "PRE" claims based on asserting a patent known to be invalid. Professional Real Estate Investors. Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49, 113 S. Ct. 1920, 126 L. Ed.611 (1993).

The claims and facts of the Mercoid case are clearly distinguishable from the C-Vac's claims in the instant case

which developed in the law much later. Therefore, on the basis of the Second Circuit's holding in United States v. Eastern Steamship, the court finds that C-Vac's claims in this case arise out of the same transactions or occurrences as the previous patent infringement litigation between the parties in Illinois, and are compulsory counterclaims under 13(a) of the Federal Rules of Civil Procedure which should have been included in the Illinois litigation.

Based upon the foregoing, defendant's motion pursuant to 12(b)(6) of the Federal Rules of Civil Procedure is **GRANTED**, and the complaint is **DISMISSED**.

IT IS SO ORDERED

Dated: January 6, 2000
Syracuse, New York

[S]
HOWARD G. MUNSON
SENIOR U.S. DISTRICT JUDGE

APPENDIX C

MINUTEMAN INTERNATIONAL, INC.,
Plaintiff,

v.

CRITICAL-VAC FILTRATION CORPORATION, and Amerisafe Inc.,
Defendant.

No. 95 C 7255.

United States District Court,
N.D. Illinois,
Eastern Division.

June 27, 1997.

MEMORANDUM OPINION AND ORDER

CONLON, District Judge.

Minuteman International, Incorporated ("Minuteman") sues Critical-Vac Filtration Corporation ("C-Vac"), Amerisafe Incorporated ("Amerisafe") and Robert K. Hunter ("Hunter") (collectively "defendants") for infringement of Reissue Patent 34,980 ("the reissue patent"). C-Vac counterclaims for (1) a declaratory judgment of patent invalidity, unenforceability and noninfringement and for false advertising in violation of (2) section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and (3) state law. Presently before the court are C-Vac's motion for summary judgment on the issue of non-infringement and Minuteman's motion for summary judgment on C-Vac's false advertising counterclaims.

BACKGROUND

The following facts are undisputed except where otherwise noted. Minuteman is an Illinois corporation that manufactures vacuum machines for industrial and commercial use. Defendants' 12(M) Statement of Undisputed Material Facts ("Def.12(M)") at ¶¶ 1-2. Minuteman owns the reissue patent which derives from original U.S. Patent 5,102,435 ("the original patent"). Def. 12(M) at ¶¶ 8-9. The reissue patent discloses a vacuum cleaner with a special filter for removing microscopic particles from the stream of air created by the vacuum motor. This type of filter is known as a "high efficiency particulate air" filter. Vacuum cleaners of this type are often used to remove asbestos, lead and other hazardous materials containing harmful microscopic particles.

C-Vac manufactures and sells high efficiency replacement filters for Minuteman vacuum cleaners. Def. 12(M) at ¶¶ 8-9; Amended Complaint ("Am. Compl.") at ¶ 9. Minuteman alleges C-Vac's replacement filter infringes the reissue patent. Am. Compl. at ¶¶ 9-10, 11-13, 15. According to Minuteman, Hunter, the sole shareholder, president and only officer of C-Vac, directed the copying of the Minuteman filter and the manufacture and sale of C-Vac's infringing filter. Am. Compl. at ¶¶ 6, 11, 13. Minuteman asserts C-Vac also distributed its infringing filter to Amerisafe for resale. Am. Compl. at ¶¶ 10-12.

Minuteman's original patent included claim 1 of the reissue patent directed to the combination of the entire vacuum machine, including the motor housing, the motor, the switch and the filter. Claims 2 and 3 of the reissue patent are new and are directed to the filter per se. Claims 1 and 2 are independent claims, while claim 3 is dependant on claim 2. Minuteman asserts defendants have infringed claim 2.

Claim 2 defines the filter as including a canister with a generally cylindrical side wall and an upper circular mounting flange, or protruding rim, that is designed to be mounted to the bottom wall of the motor housing. Claim 2 also defines the filter as including projections. These projections are used to guide the filter, ensure a proper seal with the motor housing and prevent operation of the vacuum motor unless a proper filter is properly installed. If an operator inadvertently failed to install a filter or failed to seat the filter properly in the motor housing, the harmful substances being removed would be discharged into the air when the vacuum was started. Thus, an effective seal is especially important for safety reasons.

Claim 2 states the mounting flange includes "circular means adapted to engage said sealing tongue of said motor housing to seal therewith when said filter is mounted to said bottom wall of said motor housing under compression of mounting means" ("circular sealing means"). In the patent's illustrated embodiment, the seal between the filter canister and the motor housing is formed by a "tongue-in-groove" structure. In other words, a circular tongue is formed in the bottom of the motor housing and a corresponding groove is formed in the upper flange of the filter. When the tongue is received in the groove and the mounting bolts are tightened, an effective seal is formed. The C-Vac filter does not have a groove; instead C-Vac's filter has a flat gasket of compressible neoprene material that conforms to and seals with the tongue on the motor housing of the Minuteman vacuum cleaner. See Def. 12(M) at ¶¶ 17, 22-26.

The label on Minuteman's filter states: "A potential health hazard exists without exact original equipment replacement." Minuteman's Motion for Summary Judgment ("Minuteman's Motion"), Ex. D; Appendix I. The label also sets forth certain performance and specification standards allegedly met by the

Minuteman filter. Id. Minuteman has used an identical or substantially identical label on its filters since 1986. Plaintiff's 12(M) Statement of Undisputed Material Facts ("P1.12(M)") at ¶ 5; Defendants' Response to Plaintiff's 12(M) Statement of Undisputed Material Facts ("Def.12(N)") at ¶ 5. C-Vac asserts the statements on the label are "false and misleading and misrepresent the nature, characteristics and quality of [Minuteman's filter] and other's goods." Defendants' Answer to Plaintiff's Amended Complaint ("Answer") at ¶ 31, 35.

DISCUSSION

I. CLAIM CONSTRUCTION

The parties dispute the meaning of the circular sealing means language in claim 2. Previously, each filed a motion for a pretrial ruling on claim construction. The court granted the parties' motions and decided three issues. First, the court found "claim 2 includes the use of a groove as a limitation, despite the broader circular sealing means language." Minuteman International, Inc. v. Critical-Vac Filtration Corporation, No. 95 C 7255, 1997 WL 187326, at *4 (N.D.Ill. April 11, 1997). Second, the court found "the circular sealing means must be in the flange, rather than on the flange" because "[a] groove, by definition, is located in a surface, rather than on a surface." Id. Third, the court found "the phrases 'actuating member' and 'plurality of projections' need not refer to two separate elements ... but are properly interpreted to allude to the two functions of the projections." Id.

In its response to C-Vac's motion for summary judgment, Minuteman asks the court to reconsider its interpretation of the circular sealing means language in claim 2. C-Vac addresses Minuteman's arguments in its reply. Based on this further briefing by the parties, the court reexamines its ruling.

Previously, the court found Minuteman acquired, through the reissue of claim 2, subject matter it surrendered to obtain its original patent. Accordingly, the court concluded claim 2 was invalid under the doctrine of recapture as applied in Mentor Corp. v. Coloplast, Inc., 998 F.2d 992 (Fed.Cir.1993). Although the court recognized the recapture doctrine concerns claim validity, not claim construction, it found the two concepts were related because a claim should be construed, if possible, to sustain its validity. See ACS Hospital Systems, Inc. v. Monteflore Hospital, 732 F.2d 1572, 1577 (Fed.Cir.1984). Relying on ACS Hospital Systems, the court limited the broad circular sealing means language in claim 2 to the use of a groove, rather than find claim 2 invalid under the recapture doctrine.

Minuteman asserts the court's interpretation violates two rules of claim construction. The first rule states an extraneous limitation from the patent specification cannot be read into the broad language of a claim. See Intervet America, Inc. v. Kee-Vet Laboratories, Inc., 887 F.2d 1050, 1053 (Fed.Cir.1989); E.I. du Pont de Nemours & Co. v. Phillips Petroleum Co., 849 F.2d 1430, 1433-43 (Fed.Cir.1988). Thus, Minuteman argues the court should not have found the circular sealing means language of claim 2 covered only the groove shown in the specification. The second rule, the doctrine of claim differentiation, states a limitation in a narrower dependant claim cannot be read into a broader independent claim. See D.M.I., Inc. v. Deere & Co., 755 F.2d 1570, 1574 (Fed.Cir.1985). If the only sealing means covered by claim 2 is a groove, Minuteman explains, claim 3 is rendered superfluous.

The court finds the two rules of claim construction presented by Minuteman take precedence over the rule advanced by C-Vac. Accordingly, the court vacates its finding that the circular sealing means language refers only to a groove.

The language of claim 2 should be read literally. Although it encompasses a groove as shown in the specification, its coverage is not limited to a groove.[1]

II. SUMMARY JUDGMENT STANDARDS

A movant is entitled to summary judgment under Rule 56 when the moving papers and affidavits show there is no genuine issue of material fact and the movant is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c); Celotex Corp. v. Catrett, 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986); Unterreiner v. Volkswagen of America, Inc., 8 F.3d 1206 (7th Cir. 1993). Once a moving party has met its burden, the non-moving party must go beyond the pleadings and set forth specific facts showing there is a genuine issue for trial. Fed.R.Civ.P. 56(e); Becker v. Tenenbaum-Hill Assoc., Inc., 914 F.2d 107,110 (7th Cir. 1990). The court considers the records as a whole and draws all reasonable inferences in the light most favorable to the party opposing the motion. Fisher v. Transco Services-Milwaukee, Inc., 979 F.2d 1239, 1242 (7th Cir. 1992). "'Summary judgment is as appropriate in a patent case as in any other' where no genuine issue of material fact is present and the movant is entitled to judgment as a matter of law." Brenner v. United States, 773 F.2d 306, 307 (Fed.Cir. 1985) (citing Barmag Barmer Maschinenfabrik AG v. Murata Machinery, Ltd., 731 F.2d 831, 835 (Fed. Cir. 1984).

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[1] Because the circular sealing means disclosed in claim 2 is not limited to a groove, the court is no longer compelled to find the circular sealing means must be in the flange, rather than on the flange. Accordingly, the finding to that effect is also vacated. The finding that "the phrases 'actuating member' and 'plurality of projections' need not refer to two separate elements ... but are properly interpreted to allude to the two functions of the projections" remains sound. See Minuteman International, Inc. v. Critical-Vac Filtration Corporation, No. 95 C 7255, 1997 WL 187326, at *4 (N.D.III. April 11, 1997).

A genuine issue of material fact exists when "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); Stewart v. McGinnis, 5 F.3d 1031, 1033 (7th Cir.1993), cert. denied, 510 U.S. 1121, 114 S.Ct. 1075, 127 L.Ed.2d 393 (1994). However, the nonmoving party "must do more than simply show that there is some metaphysical doubt as to the material facts." Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp., 475 U.S. 574, 586, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). "The mere existence of a scintilla of evidence in support of the [nonmoving party's] position will be insufficient; there must be evidence on which the jury could reasonably find for the [nonmoving party]." Anderson, 477 U.S. at 252.

III. C-VAC'S MOTION FOR SUMMARY JUDGMENT

Determining whether C-Vac's replacement filter infringes claim 2 is a two step process: first, the language of claim 2 must be interpreted to determine its scope; and second, C-Vac's replacement filter must be compared to claim 2 as interpreted to determine whether C-Vac has made, used or sold the claimed invention without authority. Markman v. Westview Instruments, Inc., 52 F.3d 967, 976 (Fed.Cir.1995), aff'd, --- U.S. ----, 116 S.Ct. 1384, 134 L.Ed.2d 577 (1996). The first step--claim construction--is a question of law exclusively for the court. Id. at 970-71. The second step--whether the accused device infringes the plaintiff's patent--is a question of fact. Baxter Healthcare Corporation v. Spectramed, Inc., 49 F.3 1575, 1582 (Fed.Cir.1995).

The court has already completed the first step: claim construction. Claim 2 employs "means plus function" language as permitted by paragraph 6 of 35 U.S.C. § 112. Section 112, ¶ 6 provides, in relevant part, "[a]n element in a claim for a

combination may be expressed as a means or step for performing a specified function without the recital of structure ... in support thereof, and such claim shall be construed to cover the corresponding structure ... described in the specification and equivalents thereof." The second clause of § 112, ¶ 6 limits the interpretation of means plus function claims. Valmont Industries, Inc. v. Reinke Manufacturing Co., 983 F.2d 1039, 1041-42 (Fed.Cir.1993). Thus, the circular sealing means language in claim 2 includes not only the groove described in the specification, but any equivalents of a groove as well.

Although the phrase "shall be construed" suggests § 112, ¶ 6 affects only the interpretation of means plus function claims, § 112, ¶ 6 affects infringement analysis as well. Unfortunately, courts and litigants often mistake the phrase "and equivalents thereof" in § 112, ¶ 6 for a reference to the doctrine of equivalents. The Federal Circuit Court of Appeals has repeatedly held the two concepts are distinct and warned against confusion. See Valmont, 983 F.2d at 1042-43; Intel Corporation v. U.S. International Trade Commission, 946 F.2d 821, 842 (Fed.Cir.1991); D.M.I. Inc. v. Deere & Co., 755 F.2d 1570, 1575 (Fed.Cir.1985).

In determining whether a means plus function claim has been infringed, "the sole question is whether the ... means in the accused device which performs the function stated in the claim is the same as or an equivalent of the corresponding structure described in the patentee's specification as performing that function." Valmont, 983 F.2d at 1042 (quoting D.M.I., 755 F.2d at 1575)). If the means in the accused device is found to be an equivalent of the structure described in the patent specification, the claim is literally infringed. Valmont, 983 F.2d at 1042; Intel, 946 F.2d at 841; D.M.I., 755 F.2d at 1575. In contrast, infringement under the doctrine of equivalents is not literal and is found when an accused device performs

substantially the same function, in substantially the same way, to achieve substantially the same result as the claimed invention. Valmont, 983 F.2d at 1043.

Another distinction is the relationship of each concept to the doctrine of prosecution history estoppel. Prosecution history estoppel is irrelevant to an equivalency analysis under § 112, ¶ 6 because infringement under such an analysis is literal.[2] See, e.g., Black & Decker, Inc. v. Hoover Service Center, 886 F.2d 1285, 1295 (Fed.Cir.1989) (the "doctrine [of prosecution history estoppel] comes into play only after literal infringement is found lacking"); Fromson v. Advance Offset Plate, Inc., 720 F.2d 1565, 1571 (Fed.Cir.1983) ("If there be literal infringement ... the doctrine [of prosecution history estoppel] is irrelevant"). The doctrine of equivalents, on the other hand,

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[2] The Federal Circuit recently found: "Just as prosecution history estoppel may act to estop an equivalence argument under the doctrine of equivalence, positions taken before the PTO may bar an inconsistent position on claim construction under § 112, ¶ 6." Alpex Computer Corporation v. Nintendo Company Ltd., 102 F.3d 1214, 1221-22 (Fed.Cir.1996). In making this statement, however, the court relies on a case that did not involve a means plus function claim. Thus, the difference between literal and non-literal infringement is ignored and the distinction between claim interpretation and claim infringement is blurred. Moreover, the statement conflicts with a magnitude of Federal Circuit cases, but the court fails to distinguish or overrule them. Accordingly, reliance on the statement is dubious.

is limited by the doctrine of prosecution history estoppel.[3] See, e.g., American Permahedge, Inc. v. Barcana, Inc., 105 F. 3d 1441, 1445-46 (Fed. Cir.1997).

Because claim 2 is a § 112, ¶ 6 means plus function claim, the relevant inquiry is whether the sealing means in the accused device -- the gasket in C-Vac's filter--is an equivalent of the corresponding structure described in the patentee's specification--the groove in Minuteman's filter. If the gasket is the groove's equivalent, claim 2 is literally infringed. Because infringement is a question of fact, Minuteman asserts it is entitled to have a jury determine whether C-Vac's gasket is an equivalent of its groove.

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[3] The Supreme Court recently held "the doctrine of equivalents must be applied to individual elements of a claim, not to the invention as a whole." Warner-Jenkinson Company, Inc. v. Hilton Davis Chemical Co., --- U.S . ----, 117 S.Ct. 1040, 1049, 137 L.Ed.2d 146 (1997). Although the Court narrowed the doctrine of equivalents in this way, it did not otherwise disturb the relationship between equivalency under § 112, ¶ 6 and the doctrine of equivalents. The Court describes the second clause of § 112, ¶ 6 as "an application of the doctrine of equivalents in a restrictive role, narrowing the application of broad literal claim elements." Id. at 1048. Based on this language, a reader unfamiliar with patent law might mistakenly conclude the Court equated equivalency under § 112, ¶ 6 with the doctrine of equivalents. The Court, however, simply restated what the Federal Circuit already acknowledged: that § 112, ¶ 6 "operates more like the reverse doctrine of equivalents than the doctrine of equivalents because it restricts the coverage of literal claim language." Valmont Industries, Inc. v. Reinke Manufacturing Co., 983 F.2d 1039, 1042 (Fed.Cir.1993). The Court also states the second clause of § 112, ¶ 6 "is silent on the doctrine of equivalents as applied where there is no literal infringement." Warner-Jenkinson, --- U.S. at ----, 117 S.Ct. at 1048. Here the Court merely reiterates that equivalency under § 112, ¶ 6 results in literal infringement and does not concern the doctrine of equivalents which only applies when there is no literal infringement. The Court does not suggest the doctrine of equivalents may apply to a means plus function claim; the Court merely concludes that, contrary to petitioner's argument, the concept of equivalency under § 112, ¶6 does not negate nor conflict with the doctrine of equivalents.

Although the issue of equivalency under § 112, ¶ 6 is a disputed issue of fact, it is also, under the unique circumstances of this case, immaterial. A jury can only decide the issue one way or the other. If a jury finds C-Vac's gasket is not an equivalent of Minuteman's groove, then claim 2 is not infringed. If a jury finds C-Vac's gasket is an equivalent of Minuteman's groove, then under the undisputed facts presented, the doctrine of recapture will apply as a matter of law and render claim 2 invalid. An invalid claim cannot be infringed. Thus, regardless of the jury's decision, there is no infringement. A trial under these circumstances would be meaningless.

The posture of this case is unusual. C-Vac argues claim 2 is invalid under the doctrine of recapture because it is not based on "error" within the meaning of 35 U.S.C. § 251. Whether an alleged error is insufficient under § 251 such that the reissue claim is invalid under the doctrine of recapture is a question of law, but the legal conclusion turns on underlying facts regarding the scope of the reissue claims, the subject matter surrendered and the reasons for its surrender. Mentor Corporation v. Coloplast, Inc., 998 F.2d 992, 994 (Fed.Cir.1993); Tee-Pak, Inc. v. St. Regis Paper Company, 491 F.2d 1193, 1199 (6th Cir.1974). Normally, these underlying facts will be disputed and a trial will be required to determine whether the recapture doctrine applies. In this case, however, the undisputed facts demonstrate by clear and convincing evidence that claim 2 will be invalid under the doctrine of recapture if the jury finds C-Vac's gasket is an equivalent of Minuteman's groove.

35 U.S.C. § 251 sets out the standard for reissue; it provides in relevant part:

> Whenever any patent is, through error without any deceptive intention, deemed wholly or partly inoperative or invalid ... by reason of the patentee claiming more or less than he had a right to claim in the patent, the Commissioner shall ... reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent.

Reissue error is generally liberally construed, but the reissue procedure does not give the patentee "a second opportunity to prosecute de novo his original application." Mentor, 998 F.2d at 995 (quoting In re Weiler, 790 F.2d 1576, 1582 (Fed.Cir.1986)). Reissue is "an extraordinary procedure" that "is not a substitute for Patent Office appeal procedures." Ball Corp. v. United States, 729 F.2d 1429, 1435 (Fed.Cir.1984). Thus, the recapture rule "bars the patentee from acquiring, through reissue, claims that are of the same or of broader scope than those claims that were cancelled" or otherwise surrendered. Id. at 1439. In other words, "[i]f a patentee tries to recapture what it previously surrendered in order to obtain allowance of original patent claims, that 'deliberate withdrawal or amendment ... cannot be said to involve the inadvertence or mistake contemplated by 35 U.S.C. § 251, and is not an error of the kind which will justify the granting of a reissue patent which includes the matter withdrawn." Mentor, 998 F.2d at 995 (quoting Haliczer v. United States, 174 Ct.Cl. 507, 356 F.2d 541 (Ct.Cl.1966). Although the prosecution history of the original patent is relevant to determining what subject matter was surrendered, the recapture doctrine is not, as C-Vac has argued, the same as

the doctrine of prosecution history estoppel.[4] Prosecution history estoppel limits the application of the doctrine of equivalents, a tool in the analysis of infringement, whereas the doctrine of recapture concerns claim validity. Ball Corp, 729 F.2d at 1439.

Minuteman's original patent application contained five claims; each described a vacuum for collecting hazardous materials. See original Application at 10-11. All five claims were rejected as obvious in view of two prior art references, one of which was U.S. Patent No. 4,786,295 issued to Newman, et al. ("the Newman patent"). See Examiner's Action dated May 10, 1991 at 2. The Newman patent disclosed, among other features, a flat gasket seal. The claims were also rejected "as being indefinite for failing to particularly point out and distinctly claim the subject matter which the applicant regards as the invention." Id. The examiner found the filter structure was unclear and the phrase "adapted to receive [the filter's mounting flange]" as a description of the bottom wall of the motor housing was "indefinite." Id.

In response to the examiner's rejection, Minuteman cancelled original claims 2-5 and amended claim 1. Claim 1 originally described the filter as simply "mounted to the bottom

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[4] The court's finding that "the recapture doctrine is a form of prosecution history estoppel " is vacated. The court's resolution of Minuteman's second motion in limine, however, is not affected. In that motion, Minuteman argued C-Vac did not plead recapture as an affirmative defense as required under Fed.R.Civ.P. 8(c) and thus was barred from raising it. The motion was denied because the court erroneously considered the recapture doctrine a form of prosecution history estoppel, which was pled as an affirmative defense. The court's error was harmless because the recapture doctrine governs the validity of reissue patents and C-Vac pled invalidity for failure to comply with the reissue statute in its first affirmative defense.

of the said motor housing." Amended claim 1 added language describing a tongue-in-groove seal between the filter and the motor housing. Minuteman also added language from canceled claim 4 describing a plurality of projections. Amended claim 1 also described the filter as cylindrical and the mounting flange and bottom wall of the motor housing as circular. Thus, the more generic vacuum disclosed in claim 1 was abandoned in favor of a vacuum with the more specific features in amended claim 1.

Minuteman discussed these changes in the remarks section of the amendment and distinguished the vacuum disclosed in amended claim 1 from the prior art cited by the examiner. "[T]he nature of the seal between the filter and the motor housing and the means for assuring that seal," Minuteman explained, "are much more significant in a vacuum cleaner designed to handle hazardous waste than in a normal household vacuum cleaner ...." Remarks at 3. Minuteman emphasized "[t]he use of a tongue-in-groove seal in this environment is highly advantageous." Id. at 4. Minuteman asserted the features described in amended claim 1 allow "[ ]the claimed invention [to] achieve[ ] a highly effective and desirable seal ... and at the same time ... provide[ ] the safety of a lock-out ...." Id. at 5. After stating the sealing means disclosed in the Newman patent was "simply a flat gasket," Minuteman stated, "none of the prior art references are directed to achieving a tongue-in-groove seal for a vacuum cleaner having a removable filter in the form of a cylinder." Id. 4- 5. Due to Minuteman's amendments and argument, amended claim 1 issued as claim 1 on April 7, 1992.

In 1993, Minuteman filed a reissue application for claims 2 and 3. As previously stated, claim 2 is independent, directed to the filter per se and describes a mounting flange with circular sealing means. Dependant claim 3 discloses "the apparatus of claim 2 wherein (the) sealing means ... [is] a peripheral groove

...." In the reissue declaration, James J. Hill ("Hill"), the attorney who prepared and prosecuted the original patent application, alleged two errors to justify the reissue. First, Hill asserted he mistakenly thought claim 1 was broad enough to cover the unauthorized making and selling of the filter per se as a replacement filter. Hill claimed he later realized claim 1 did not cover the vacuum's individual elements in addition to the combination of the vacuum itself. Thus, Hill explained the need to obtain, through reissue, a claim directed to the filter per se. Second, Hill asserted he "was unaware at the time of preparing and filing the application that the groove on the filter could be eliminated and an equivalent structure such as a gasket ... be provided for sealing with the tongue on the motor housing ..." Declaration at 3. Hill claimed he did not anticipate the substitution of a gasket for the patented groove until he examined a third party's replacement filter in the spring of 1993. Id. The first alleged error justifies the reissue of claim 3. The second alleged error, however, does not justify the reissue of claim 2. Hill's assertion that he did not realize a gasket could be substituted for a groove until 1993 is not credible: In 1991, Hill himself distinguished the claimed vacuum from prior art by stating the Minuteman filter had a groove, while the Newman patent had "simply a gasket." Remarks at 4-5.

Minuteman did not adopt the narrower tongue-in-groove language in claim 1 inadvertently. On the contrary, Minuteman adopted the tongue-in-groove language to distinguish its invention from the prior art and to obtain its patent.[5] In fact, when asked "whether [the] language referencing the tongue-in-

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[5] C-Vac asserts it is undisputed that Minuteman amended claim 1 to overcome prior art. Def. 12(M) at ¶ 15. Minuteman failed to respond. Although, the court bases its decision on the evidence presented rather than Minuteman's failure to respond, the court notes C-Vac's assertion may be deemed admitted under Local Rule 12.

groove seal was added [to claim 1] to overcome the rejection that was based on the prior art" a Minuteman representative answered, "That's part of the answer, yes, it was probably added; but there [were] other things added to the claim, too, other than that." See Zickert Dep. at 69. This partial admission lends further support to the conclusion already required by the undisputed facts: by deleting the tongue-in-groove language in claim 2, Minuteman improperly acquired a broader claim through reissue. As the Federal Circuit held in Mentor:

> Error under the reissue statute does not include a deliberate decision to surrender specific subject matter in order to overcome prior art, a decision which in light of subsequent developments in the marketplace might be regretted. It is precisely because the patentee amended his claims to overcome prior art that a member of the public is entitled to occupy the space abandoned by the patent applicant.

Mentor Corporation v. Coloplast, Inc., 998 F.2d 992, 996 (Fed. Cir.1993).

Minuteman argues it avoids the doctrine of recapture because claim 2 is significantly narrower than claim 1 in some respects. Claim 2 is narrower than claim 1. For example, in claim 2, the projection for the lock-out switch must be on the filter, where in claim 1 it could be on the filter or the motor housing. "Reissue claims that are broader in certain respects and narrower in others may avoid the effect of the recapture rule." Mentor, 998 F.2d at 996. But when a reissue claim is broader, it must be "broader in a way that does not attempt to reclaim what was surrendered earlier ...." Id. Like the reissue claims in Mentor, reissue claim 2 is broader than the claim 1 "in a manner directly pertinent to the subject matter surrendered

during prosecution." Id. Accordingly, claim 2 does not avoid the doctrine. Id.

Ultimately, "the focus is not ... on the specific limitations or on the elements of the claims but, rather, on the scope of the claims." Ball Corp. v. United States, 729 F.2d 1429, 1436 (Fed.Cir.1984). A jury finding that C-Vac's gasket is an equivalent of Minuteman's groove would conclusively establish that the scope of reissue claim 2 encompasses subject matter deliberately surrendered during prosecution and that the doctrine of recapture therefore applies. Because no resolution of the issue of equivalency can lead to a finding of noninfringement, the issue is immaterial and summary judgment is appropriate. See Lemelson v. Synergistics Research Corp., 669 F.Supp. 642, 648 (S.D.N.Y.1987) ("A court can declare a patent invalid on a summary judgment motion where no material issue of fact is presented and the [undisputed] facts require a holding of invalidity") (citations omitted). Accordingly, C-Vac's motion for summary judgment is granted.

IV. MINUTEMAN'S MOTION FOR SUMMARY JUDGMENT

Minuteman moves for summary judgment on C-Vac's second and third counterclaims for false advertising.

A. C-Vac's Lanham Act Counterclaim

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides in relevant part:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device,

> or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

(emphasis added). In its second and third counterclaims, C-Vac asserts four statements on Minuteman's filter label are false and misleading: (1) that "[a] potential health hazard exists without exact original equipment replacement" ("the warning statement"); (2) that the filter meets or exceeds military standard F-51068 ("the military specification statement"); (3) that the filter's efficiency is 99.99% at .12 micron ("the efficiency statement"); and that the filter model was classified by Underwriters Laboratories ("the UL statement"). See November Hunter Dep. at 5. Essentially, C-Vac asserts Minuteman has misled customers about the quality of its own filters and the compatibility of competitors' replacement filters in order to keep customers from buying replacement filters from other companies. C-Vac asserts it has lost sales as a result. Minuteman presents several arguments in favor of its motion for summary judgment.

1. The Statute of Limitations and Laches Doctrine

Minuteman argues C-Vac's false advertising claim under section 43(a) of the Lanham Act is barred by the applicable statute of limitations. "Because the Lanham Act establishes no limitations period for claims alleging unfair competition or false advertising, and because there is no corresponding federal statute of limitations, [courts must] look to [and apply] 'the most appropriate' or 'the most analogous' state statute of limitations ...." Conopco, Inc. v. Campbell Soup Company, 95 F.3d 187, 191 (2d Cir.1996) (citing Wilson v. Garcia, 471 U.S. 261, 266-268, 105 S.Ct. 1938, 85 L.Ed.2d 254 (1985)). See also Pepsico, Inc. v. Dunlop Tire & Rubber Corporation, 578 F.Supp. 196, 198 (S. D. N.Y.1984). Many courts have found the statute of limitations applicable to fraud claims is the most appropriate for unfair competition or false advertising claims under the Lanham Act. See, e.g., Monkelis v. Scientific Systems Services, 653 F.Supp. 680, 684 (W.D.Pa.1987); Pepsico, Inc. v. Dunlop Tire & Rubber Corporation, 578 F.Supp. 196, 198-99 (S.D.N.Y.1984); Fox Chemical Co. v. Amsoil Inc., 445 F.Supp. 1355, 1359 (D.Minn.1978); Amana Refrigeration, Inc. v. Consumers Union of United States, Inc., 431 F.Supp. 324, 325 (N.D.Iowa 1977). The court finds the reasoning of these cases persuasive. Accordingly, the limitations period applicable to C-Vac's second counterclaim is five years. See 735 ILCS 5/13-205; Kolson v. Vembu, 869 F.Supp. 1315, 1329 (N.D.Ill.1994) ("Under Illinois law the 735 ILCS 5/13-205 five-year statute of limitations applies to common law fraud claims").

C-Vac asserts Minuteman's filter label has contained false and misleading statements since approximately 1986. Answer at 30. Three of the four allegedly false and misleading statements still appear on Minuteman's label. Minuteman's Motion, Ex D; Appendix I. If actionable, their presence

constitutes an ongoing violation. The statute of limitations, therefore, has not run as to these statements. See Taylor v. Meirick, 712 F.2d 1112, 1118 (7th Cir.1983) (statute of limitations does not begin to run on continuing wrong until wrong is over and done with). The military specification statement was only removed in June 1996. PI. 12(M) at ¶ 11; Def. 12(N) at ¶ 11. Accordingly, the statute of limitations has not run as to that statement either.

Minuteman also argues C-Vac's false advertising claim should be barred under the equitable doctrine of laches. Because C-Vac brought suit within the limitations period, the burden is on Minuteman to demonstrate laches should apply. Conopco, Inc. v. Campbell Soup Company, 95 F.3d 187, 191 (2d Cir.1996). Minuteman must therefore show it has been prejudiced by C-Vac's unreasonable delay in bringing suit. Id.; A.C. Aukerman Co. v. R.L. Chaides Construction Co., 960 F.2d 1020, 1032 (Fed.Cir.1992). Although Minuteman argues C-Vac's delay was unreasonable because C-Vac was aware of the representations on its label for approximately ten years, Minuteman fails to identify any prejudice it may have suffered as a result. Although the court could assume the number of sales allegedly lost by C-Vac has increased over time, the mere potential for an increased damages award does not constitute economic prejudice. Id. at 1033. "Material prejudice ... resulting from the plaintiff's delay is essential to the laches defense." Id. Because Minuteman fails to establish prejudice, laches does not apply and C-Vac's claims are not barred.

2. Rule 13(a) Compulsory Counterclaim

In April 1989, Minuteman sued C-Vac for false advertising because C-Vac advertised its replacement filters were "manufactured to original [Minuteman] specifications." Minuteman's Motion, Ex. E at ¶ 12. Minuteman claimed C-

Vac's advertising erroneously stated or implied that C-Vac's filters complied with its specifications. Id. at ¶ 14. The suit settled in December 1989 with a consent judgment that included injunctive provisions. Id. at Ex. F. Minuteman argues C-Vac should be estopped from asserting its false advertising claim because it was a compulsory counterclaim under Fed.R.Civ.P. 13(a) in the 1989 litigation.

Rule 13(a) provides in relevant part:

> A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction.

A compulsory counterclaim is waived unless it is set forth in the answer to the complaint. Harbor Insurance Co. v. Continental Bank Corporation, 922 F.2d 357, 360 (7th Cir.1990). Whether two claims arose from the same transaction or occurrence under Rule 13(a) is determined by examining whether there is a "logical relationship" between the two claims. Burlington Northern R.R. Co. v. Strong, 907 F.2d 707, 711 (7th Cir.1990). "[T]here is no formalistic test to determine whether suits are logically related." Id. Instead, the court must consider "the totality of the claims, including the nature of the claims, the legal basis for recovery, the law involved, and the respective factual backgrounds." Id.

Although Minuteman's 1989 claim and C-Vac's present counterclaim both allege false advertising, the claims do not arise out of the same transaction or occurrence. Minuteman's 1989 claim involved the performance of C-Vac filters, while C-

Vac's present claim involves the performance of Minuteman filters. Moreover, Minuteman has not shown that the specifications or qualities at issue in the 1989 claim are the same as those presently at issue. Accordingly, C- Vac's claims are not barred under Rule 13(a).

3. Prima Facie Case of False Advertising

Finally, Minuteman argues C-Vac has failed to establish a prima facie case of false advertising. In order to recover for false advertising under section 43(a) of the Lanham Act, a plaintiff must show: (1) the defendant made false or misleading statements of fact which misrepresented the nature, characteristics or qualities of its product or another's product; (2) the statements actually deceived or had the tendency to deceive a substantial segment of their audience; (3) the statements were material because they were likely to influence buying decisions; (4) the defendant's advertised products entered interstate commerce; and (5) injury as a result of the defendant's activities either by a direct diversion of sales from the plaintiff to the defendant or by a lessening of the plaintiff's goodwill. See Porous Media Corporation v. Pall Corporation, 110 F.3d 1329, 1332 (8th Cir.1996); ALPO Petfoods, Inc. v. Ralston Purina Co., 913 F.2d 958, 963 n. 6 (D.C.Cir.1990). A plaintiff suing to enjoin conduct that violates the Lanham Act must demonstrate a likelihood of deception or confusion, but a defendant seeking money damages must establish actual consumer confusion or deception resulting from the violation of the Act. PPX Enterprises, Inc. v. Audiofidelity Enterprises, Inc., 818 F.2d 266, 271 (2d Cir.1987). If, however, a defendant engages in deliberate deception as a major part of its marketing effort, the plaintiff is entitled to a presumption that the defendant's statements actually deceived customers and prospective customers. Porous Media, 110 F.3d at 1332-33. A plaintiff seeking an injunction need not prove specific damage,

but a plaintiff seeking money damages where a defendant misrepresented its own product and did not specifically target a competing product must prove causation and specific injury. Id. at 1334-35. "When assessing ... actual damages, the district court may take into account the difficulty of proving an exact amount of damages from false advertising, as well as the maxim that the wrongdoer shall bear the risk of the uncertainty which his own wrong has created." ALPO Petfoods, 913 F.2d at 969 (citations and internal quotation marks omitted). Nevertheless, "the court must ensure that the record adequately supports all items of damages claimed and establishes a causal link between the damages and the defendant's conduct, lest the award become speculative or violate section 35(a)'s prohibition against punishment. " Id.

a. The Warning Statement

Minuteman argues the warning statement is a not statement of fact, but a mere hypothetical. Minuteman also claims the warning statement is true because a health hazard will exist if a faulty, defective or improperly sized filter is used in its vacuum cleaner. Both of Minuteman's arguments would be persuasive if the warning statement was that "a potential health hazard may exist without exact original equipment replacement." The actual warning statement, however, is that "[a] potential health hazard exists without exact original equipment replacement." The statement is an affirmative assertion of fact that implies, not that appropriate replacement equipment must be used to avoid a health hazard, but that its replacement equipment must be used to avoid a health hazard. If CVac proves that its filters may be safely used in Minuteman vacuum cleaners, the warning statement is misleading. The truth of the statement, therefore, remains a disputed issue of fact.

However, C-Vac fails to offer sufficient evidence that the warning statement has actually deceived or confused a substantial segment of customers or potential customers. Hunter testified C-Vac lost business to two customers who would only purchase original equipment filter replacements, but there is no evidence that the warning statement was the reason behind their decision or that it led them to believe C-Vac's filters were unsafe. See September Hunter Dep. at 60-61. When asked specifically, Hunter could not name one person whose business he lost because of the warning statement. Id. at 63. In fact, Hunter admitted he does not know whether the two refusals he mentioned were based on satisfaction with the Minuteman filter or were attributable to the warning statement. Id. at 72. Even if the warning statement was the reason the two named customers refused to purchase C-Vac's filters, an anecdotal reference to two customers is not evidence that a substantial portion of potential purchasers were confused or deceived. Hunter has admitted he has no evidence of general customer perception based on surveys, poles or questionnaires. Id. at 65; November Hunter Dep. at 9-10. Accordingly, C- Vac cannot base its false advertising claim on the warning statement.

b. The Military Specification Statement

Minuteman has admitted that the military specification statement is false. Pl. 12(N) at ¶ 11. The fact that Minuteman recently removed the statement from its filters does not absolve it from liability for past damages. However, C-Vac cannot claim it suffered any damages because of this statement. Hunter admitted the C-Vac filter does not meet the military specification. November Hunter Dep. at 6-7. Thus, any Minuteman sales made because of the military specification statement cannot be considered sales lost by C-Vac.

Accordingly, C-Vac cannot base its false advertising claim on the military specification statement.

c. The Efficiency Statement

Whether the efficiency statement is false is a disputed issue of fact. Minuteman's Vice President, Gary Palmer ("Palmer") admitted test results were "at odds with" the efficiency statement. Palmer Dep. at 185. Palmer also admitted "the one time [Minuteman] asked them to test [the Minuteman filter], it didn't meet the requirements [Minuteman] represent[s]." Id. at 190. In spite of the test results, Minuteman used the efficiency statement extensively in its advertising as well as on the filter label. See C-Vac's Response, Ex. F. This evidence could support a finding that Minuteman engaged in deliberate deception as a major part of its marketing effort. In that case, C-Vac would be entitled to a presumption that the Minuteman's efficiency statement actually deceived customers and prospective customers. See Porous Media Corporation v. Pall Corporation, 110 F.3d 1329, 1332-33 (8th Cir.1996).

Nevertheless, C-Vac has failed to produce sufficient evidence of causation and specific damages. Hunter admitted he has "no direct testimony from consumers or survey experts or anything like that which would tend to establish causality between the lost sales and the statements on the Minuteman label." November Hunter Dep. at 14-15. Instead, Hunter makes two major assumptions: first, that C-Vac's reduced profits are attributable to sales lost to Minuteman and second, that the reason for all lost sales are the statements on Minuteman's filter label. Id.; Def. 12(N), Ex. C. Due to C-Vac's failure to present any evidence of causation and the highly speculative nature of C-Vac's "evidence" of damages, C-Vac cannot base its false advertising claim on the efficiency statement.

d. The UL Statement

C-Vac has produced no evidence that the UL statement is false or misleading. On the contrary, C-Vac asserts only that it "never received any documentation ... that ... [the Minuteman filter] had been submitted for appropriate classification listing." November Hunter Dep. at 12-13. Minuteman, on the other hand, has presented evidence of the accuracy of the UL classification information on its label. Minuteman's Motion, Ex. K. In any event, C-Vac has produced no evidence this statement actually deceived or confused any potential purchasers or that this type of information is material because it is likely to influence buying decisions. Finally, C-Vac fails to present any evidence of causation and its "evidence" of damages remains highly speculative. Accordingly, C-Vac cannot base its false advertising claim on the UL statement.

Because C-Vac fails to produce evidence sufficient to raise a question of fact on one or more of the elements of false advertising as to each of the allegedly false or misleading statements, summary judgment is granted on C-Vac's second counterclaim.

B. C-Vac's State Law Counterclaim

C-Vac states its third counterclaim "arises out of the same controversy as C- VAC's second counterclaim and constitutes a substantial and related claim of unfair competition .... Plaintiff's statements violate the common laws and statutes of the states of Illinois and/or New York." Answer at ¶¶ 34-35. When Minuteman filed its summary judgment motion, C-Vac had yet to specify any Illinois or New York statute or common law action in connection with its third counterclaim. Minuteman therefore equated the second and third

counterclaims and only presented arguments based on the Lanham Act.

The overwhelming majority of C-Vac's response consists of arguments based on the Lanham Act. The following passage is the only reference to any Illinois or New York statute or common law action in C-Vac's response:

> The common law tort of unfair competition, under New York law is similar to an unfair competition claim under the Lanham Act. The Second Circuit has observed ... unfair competition is "a 'broad and flexible doctrine' .... It has broadly described as encompassing 'any form of commercial immorality' ...." Based on the evidence discussed above, a jury could conclude that Minuteman's deceptive labeling violates New York's Unfair Competition laws as well.

C-Vac's Response at 9-10 (citations omitted). The court is not required to examine the law of Illinois and New York on C-Vac's behalf in search of statutes and common law relevant to its allegations and the evidence presented. Accordingly, the court will treat C-Vac's third counterclaim as only presenting a claim for unfair competition in violation of New York common law.[6]

Under New York law, unfair competition traditionally involved "palming off"-- the fraudulent representation of the seller's goods as those of another. Nifty Foods Corporation v. Great Atlantic and Pacific Tea Company, Inc., 614 F.2d 832, 842 (2d. Cir.1980); National Basketball Association v. Sports

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[6] The parties do not present a conflicts of law analysis. Without engaging in its own analysis, the court assumes New York law applies for the purposes of evaluating C-Vac's third counterclaim.

Team Analysis and Tracking Systems, Inc., 939 F.Supp. 1071, 1098 (S.D.N.Y.1996). New York courts later expanded the notion of unfair competition to include "cases where there was no fraud on the public, but only a misappropriation for the commercial advantage of one person of a benefit or property right belonging to another." National Basketball Association, 939 F.Supp. at 1099 (quoting Metropolitan Opera Association Inc. v. Wagner- Nichols Recorder Corp., 199 Misc. 786, 101 N.Y.S.2d 483, 489 (1950); aff'd, 279 A.D. 632, 107 N.Y.S.2d 795 (1951)). It is in this context that the tort has been described as encompassing "any form of commercial immorality." See Metropolitan Opera, 101 N.Y.S.2d at 492 ("The modern view as to the law of unfair competition does not rest solely on the ground of direct competitive injury, but on the broader principle that property rights of commercial value are to be and will be protected from any form of unfair invasion or infringement and from any form of commercial immorality ....")

Accordingly, C-Vac misconstrues the breadth of unfair competition under New York law. Although the tort is broad, C-Vac must do more than merely claim Minuteman's conduct is "unfair" or "commercially immoral." See Michael Anthony Jewelers, Inc. v. Peacock Jewelry, Inc., 795 F.Supp. 639, 655 (S.D.N.Y.1992) (although tort is broad and adaptable, "it is by no means all encompassing and courts have not hesitated to recognize its limits"). As the Second Circuit Court of Appeals states in a case cited by C-Vac:

> (The) state law unfair competition claim is also legally insufficient [because it] is based on the notion that the only finding necessary is that the defendant's action has been .'unfair'.... New York law in this area is indeed flexible, but it is not that flexible. The essence of an unfair competition claim under New York law

is that the defendant has misappropriated the labors and expenditures of another.

Saratoga Vichy Spring Co., Inc. v. Lehman, 625 F.2d 1037, 1044 (2d Cir.1980) (emphasis added).

C-Vac neither alleges nor provides sufficient proof of a claim for unfair competition under New York law. Although C-Vac asserts Minuteman's conduct is unfair, C-Vac does not claim Minuteman has misappropriated its property, labors or expenditures in any way. Accordingly, summary judgment is granted as to C- Vac's third counterclaim.

CONCLUSION

The memorandum opinion and order entered April 11, 1997 is vacated in part. C-Vac's motion for summary judgment on the issue of non-infringement is granted. Judgment is entered for defendants Critical-Vac Corporation, Amerisafe Incorporated and Robert K. Hunter and against plaintiff Minuteman International on Minuteman's claim for infringement and C-Vac's counterclaim for declaratory judgment. Minuteman's motion for summary judgment on C-Vac's second and third counterclaims is granted. Judgment is entered for Minuteman and against C-Vac on C-Vac's second and third counterclaims.

Supreme Court, U.S.
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No. 00-1317

IN THE

Supreme Court of the United States

CRITICAL-VAC FILTRATION CORPORATION,

Petitioner,

v.

MINUTEMAN INTERNATIONAL, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

The issue in this case is whether the holding in *Mercoid Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 662 (1944) ("*Mercoid*") creates an unconditional exception to Rule 13(a) for every antitrust claim responding to a patent infringement suit even where substantially the same issues were asserted and abandoned in an earlier litigation between the same parties in another jurisdiction. Therefore, the questions presented are:

1. Whether this issue is sufficiently important, pressing and developed that review at this time is warranted.

2. Even if the issue ultimately merits review by this Court, whether this particular case provides the circumstances for a more enlightening review.

STATEMENT PURSUANT TO RULE 29.6

Minuteman International, Inc. has no parent company and only Hako-Werke GmbH of Bad Oldesloe, Germany, owns 10% or more of its stock.

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STATEMENT OF THE CASE

Respondent, Minuteman International, Inc. ("Minuteman") believes the ultimate question presented does not meet the standard of Supreme Court Rule 10, and that this is not an appropriate case for review of the ultimate question. To correct errors in the statement of its case by Petitioner, Critical-Vac Filtration Corporation ("C-Vac"), and to provide the necessary background, Minuteman believes that the facts must be more fully explained.

Minuteman sued C-Vac in Illinois asserting infringement of a patent directed to a special type of vacuum cleaner used to remove asbestos, lead and other hazardous materials containing harmful microscopic particles. *Minuteman International, Inc. v. Critical-Vac Filtration Corporation, et al.*, 1997 U.S. DIST. LEXIS 4674. (A-27). To recover these microscopic particles, a special filter, unique to Minuteman's machine, was used. C-Vac manufactured replacement filters solely for use in the patented Minuteman vacuum cleaner. (*Id.*). The invention of Minuteman's patent was directed to projections on the filter which interlocked with a switch of the motor of the vacuum so that, unless the filter was of a proper configuration and properly installed, the motor of the vacuum cleaner could not operate. (*Id.* A-28). Minuteman's original patent granted in 1992 was directed to the overall combination of the motor, housing, switch and the filter. (*Id.* A-27). In 1993, Minuteman filed a reissue application under 35 U.S.C. § 251, from which claim 2 (the only claim at issue before the Illinois court, *Id.*) resulted. Claim 2 is directed to the filter *per se*. The District Court observed of prior vacuums:

> If an operator inadvertently failed to install a filter or failed to seat the filter properly in the motor

> housing, the harmful substances (*e.g.*, asbestos particles) being removed would be discharged into the air when the vacuum cleaner was started. (*Id.* A-28).

The Illinois court, in order to sustain the validity of claim 2, held that a surrender of subject matter during the prosecution history of the original patent rendered claim 2 of the patent limited to a "tongue-in-groove" seal on the filter. Although the C-Vac filter included the inventive projections and interlocking mechanism, it did not include the particular tongue-in-groove seal disclosed in the patent and was held not to infringe claim 2. (A 35-36).

The Illinois court did not rule on the validity of the patent nor its enforceability. Moreover, C-Vac is mistaken in its assertion that Minuteman and its attorney committed inequitable conduct based on the statement of its attorney that he was "unaware of flat gasket seals." (C-Vac Br. 5-6). In fact, a declaration was submitted by the attorney in support of the required showing for reissue that an error was made, that the attorney was unaware of the equivalency of tongue-in-groove and flat gasket seals in such vacuum cleaners during the prosecution of the original application.

C-Vac's defense in the Illinois action was identical to what it has pleaded as factual predicates of its antitrust claims filed in the New York District Court. C-Vac's response to the first amended complaint in the Illinois litigation denied infringement. C-Vac first pleaded that its accused filter did not infringe because the filter did not have the "tongue-in-groove seal . . . required by the patent-in-suit as properly interpreted. . . ."

C-Vac also raised a number of affirmative defenses in the Illinois action. (R 26-29). C-Vac affirmatively alleged that Minuteman's patent was invalid. (*Id.*, ¶ 16). C-Vac further alleged bad faith on the part of Minuteman. In its Fourth Affirmative Defense in the Illinois litigation, C-Vac alleged the Minuteman patent was unenforceable because:

> During the prosecution of the parent patent of the Patent in Suit, plaintiff and/or its attorneys made arguments to distinguish the claimed invention over the cited art and made contradictory statements during the prosecution of the patent in suit. For example, plaintiff and/or its attorneys stated during the prosecution of the parent patent that the "tongue-in-groove" is "highly advantageous." During prosecution of the reissue patent, plaintiff and/or its attorneys argued that the tongue-in-groove seal was equivalent to a filter without a tongue-in-groove seal. (R-28, ¶ 19).

C-Vac also asserted a defense of unenforceability (*i.e.*, unclean hands) based on the same allegations of equivalency/non-equivalency of the respective seals. C-Vac accused Minuteman of both misleading the Patent Office and attempting to enforce a patent against C-Vac which it knew to be invalid and procured with misleading statements. (R-29, ¶ 3).

C-Vac also filed a Counterclaim "seeking a declaration of patent invalidity, unenforceability and non-infringement" based on the allegations set forth in its Answer in the Illinois litigation (*Id.*, ¶ 25).

The Illinois district court granted C-Vac's motion for summary judgment of non-infringement, but did not rule on C-Vac's defenses or counterclaims of invalidity and unenforceability. No claim of the reissue patent was ever held invalid or unenforceable. The entire Illinois action was dismissed by the district court, and C-Vac did not appeal that dismissal, thereby abandoning its counterclaims for invalidity and unenforceability. Minuteman's patent therefore remains valid and enforceable, with claim 2 held not infringed. The Federal Circuit affirmed the district court's ruling of non-infringement. At no time did C-Vac request sanctions under Rule 11, FED. R. CIV. P. or move to have the Illinois litigation declared "exceptional" under 35 U.S.C. § 285 which, had a motion been granted, would have entitled C-Vac to attorney fees and expenses.

REASONS FOR DENYING THE WRIT

I. The Issue For Which Petitioner Seeks Review Rarely Occurs And Continues To Be Developed

The issue decided in *Mercoid* arose in 1944, long before antitrust counterclaims in patent infringement cases based on allegations of "sham" action were permitted. A brief review of the history will, we submit, indicate that even though it has been over fifty years since the *Mercoid* decision, the present issue is one that does not occur often enough to merit review and is currently in a state of flux because creative patent litigators continue to develop new theories of antitrust defenses and counterclaims in patent litigation. At the same time, the need for economical and effective use of judicial resources continues to increase.

Moreover, this particular case adds nothing to the calculus of considerations surrounding the issue since this Court denied *certiorari* to the decision of the Fifth Circuit Court of Appeals in *FilmTec Corp. v. Hydranautics*, 510 U.S. 824 (1993) and to the decision of the Ninth Circuit in *Tank Insulation Int'l. v. Insultherm, Inc., cert. denied, mot. granted*, 522 U.S. 907, 118 S. Ct. 265, 139 L. Ed. 2d 191, 1997 U.S. Lexis 6011, 66 U.S.L.W. 3263 (1997). In the decision the Petitioner seeks to review, the Second Circuit Court of Appeals expressly noted that the comparatively small number of appellate decisions which have addressed the issue in over fifty-six years, as well as the intervening legal commentary, have criticized the *Mercoid* decision. The court specifically rejected the existing decisions now relied upon by Petitioner (*Tank Insulation Int'l Inc. v. Insultherm, Inc.*, 104 F.2d 83 (5th Cir. 1997), and *Hydranautics v. FilmTec Corp.*, 70 F.3d 533 (9th Cir. 1995) ("*Hydranautics*")):

> To the extent that these opinions suggest that *Mercoid* creates an exception so broad that it applies to *any* antitrust claim following a patent infringement suit between the same parties, we decline to adopt their view. Rather, we *adhere to our own precedent* in limiting the holding in Mercoid to its own set of facts. See Eastport, 255 F.2d at 503. (First emphasis the Court's, second emphasis added.)

Thus, in rendering its decision, the Second Circuit based its rationale on *United States v. Eastport Steamship Corp.*, 255 F.2d 795 (2d Cir. 1958) ("*Eastport*"). The Second Circuit's decision for which review is now sought exists under the same legal standards and rationale since this Court's denials of *certiorari* on the broad issue in 1993 and 1997.

What, then, has rekindled the issue after it lay substantially dormant for almost half a century? We submit that the importance of at least two factors has changed dramatically since 1946. One must first realize that the ultimate issue presented here is not one of the type widely believed to be very important in the 1940's, when a greater tension appeared to exist between the patent laws and the antitrust laws. Rather, it now appears that the tension exists, on the one hand, between an over-burdened Federal judiciary at the trial level and the goal of judicial economy (which is the linchpin of Rule 13(a)), and, on the other hand, an expansive reading of the *Mercoid* decision and its application to antitrust claims based on "sham action" suits, which claims did not exist until decades after *Mercoid*.

In 1965, this Court held that the enforcement of a patent procured by "fraud" on the U.S. Patent and Trademark Office may give rise to an antitrust claim. *Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.*, 382 U.S. 172 (1965). Yet, the issue presented in the instant petition did not arise following this Court's decision in *Walker Process*. The reason, we submit, is that the issue of inequitable conduct or "fraud on the Patent Office" (as it was then called) was an affirmative defense *and* a basis for declaratory judgment of unenforceability which were more efficiently tried in the original case. For decades, *Walker Process* counterclaims were presented in the original case.

In 1979, the Ninth Circuit ruled that an antitrust action may be based on bringing a patent infringement action in bad faith with knowledge of the patent's invalidity. *Handgards, Inc. v. Ethicon, Inc.*, 601 F.2d 986, 994 (9th Cir. 1979).

In 1993, this Court ruled that a violation of the antitrust laws may exist if a suit is shown to have been both objectively baseless and subjectively intended to cause harm to the defendant in the patent case (a "sham" action), *Professional Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49 (1993) ("*PRE*").

In the years intervening between the *Mercoid* and *Hydranautics* decisions, only a handful of district court cases arose involving the ultimate issue here. We submit that the main reason the issue has now arisen after all these years is that it is self-evident that the time and place to test whether an action is a sham action (as well as any issues of infringement, validity or inequitable conduct in the procurement of patents) is in the original action. What policy is advanced or what goal is promoted by testing whether an issue is sham in a subsequent suit in a foreign jurisdiction where the complex patent issues must be reviewed or re-litigated, as here? Certainly not the purposes of Rule 13(a). What harm is there in requiring a defendant to make its "antitrust" claim in the original action where the same transactions and occurrences are already at issue? This Court need not correct the oversights and errors of litigants, no matter the light in which they are cast.

The Court of Appeals for the Federal Circuit, which reviews all patent appeals, appears to agree there is no purpose to delay bringing the claim (commenting in a case involving antitrust claims filed in a subsequent litigation in a different venue, and stating that "the place to challenge litigation as sham is in the asserted sham action.") *U.S. Phillips Corp. v. Sears Roebuck & Co.*, 55 F.3d 592, 597 (1995).

The wrong sought to be remedied in the original *Mercoid* decision (namely, extending the scope of an otherwise valid patent to unpatented products) ceased almost immediately after the decision. *Walker Process* types of antitrust counterclaims, though flourishing in the ten years following this Court's decision in 1965, have also dwindled to a trickle. Antitrust counterclaims based on sham action theories are relatively new. Interpretation of the scope of the *Mercoid* decision has existed at a low but generally constant level for forty years. The introduction of sham action-antitrust claims in patent litigation may renew interest in the issue, but the litigation landscape has changed since the Court rendered its decision in *Mercoid*. The need for finality, to promote settlement and to handle litigation, particularly complex litigation, more efficiently, have all increased dramatically since 1946. Reviewing courts, particularly those analyzing the rationale of decisions promulgated decades before, are reviewing *Mercoid* with a viewpoint toward serving judicial economy and promoting the goals of Rule 13(a).

We submit that this is beneficial to all, and a resolution will be better for future generations, if this analysis continues. This would appear to be particularly so since there is no urgency to the issue and there is no harm to a litigant who conscientiously pursues counterclaims known at the time of filing its answer in the original action.[1]

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1. Minuteman submits that the issue of whether C-Vac "had" its counterclaims in the original action is more relevant to the ultimate issue than it is to whether that issue merits review at this time. However, we note that both the district court and the Second Circuit, after reviewing the entire record, flatly rejected C-Vac's contention on this issue (*see* A-22 and A-7). "([a]ll facts were not only known to C-Vac, they were pleaded in the first action and specifically dealt with in the decision in the Illinois court." A-7.)

II. The Particular Facts Of This Case Militate Against A Review Of The Ultimate Issue Presented

There is no egregious antitrust violation supporting C-Vac's counterclaims as were alleged in *Mercoid* or in *Hydranautics*. All public policy concerns were addressed by C-Vac's affirmative defenses and counterclaims in the Illinois action, which could have attended to any patent tainted with misconduct. Moreover, C-Vac candidly acknowledged in the courts below that its only damages were its out-of-pocket attorney fees. And adequate remedies were available to C-Vac in the original action, though C-Vac elected not to pursue them.

C-Vac never filed a Motion for Sanctions under Rule 11 FED. R. CIV. P. in the Illinois action, nor did it seek to recover its expenses by filing a Motion to have the patent action declared "exceptional" under 35 U.S.C. § 285 after prevailing in the Illinois case. Instead, C-Vac did wait over two years following dismissal of the Illinois action, and then filed suit in New York, placing before that district court the issue of whether the Illinois action was objectively baseless and leaving the New York court to trek through the complex record of the prosecution of the original and reissue patents which had been before the Illinois court, as well as to review the issue of Minuteman's subjective intent in bringing the original action some eight years before.

The facts become murkier still because there are substantial issues, yet to be raised if the New York court were to proceed, which clearly indicate that C-Vac has abandoned its rights to the relief it now seeks and these issues have no merit in the first place. As noted by Judge Munson in the New York trial court, C-Vac not only pleaded

affirmative defenses of invalidity, unenforceability and a denial of infringement, but it filed a declaratory judgment counterclaim in the Illinois action seeking a declaration of invalidity, unenforceability and non-infringement of Minuteman's patent. (A-22).

The entire Illinois case including all claims and counterclaims was dismissed and C-Vac never appealed the dismissal, thereby abandoning any right to have Minuteman's claim 2 adjudicated unenforceable or invalid. Thus, serious questions of estoppel and *res judicata* exist in the New York case. Obviously, the other claims of Minuteman's patent which are directed to the combination of the filter and the vacuum cleaner are still valid and enforceable because they were never decided in the Illinois litigation.

C-Vac acknowledges it brought the present antitrust suit belatedly, but seeks to excuse its oversight on the basis of the Federal Circuit's admonition that charges of inequitable conduct had in 1988 become an "absolute plague." *Burlington Indus., Inc. v. Dayco Corp.*, 849 F.2d 1418, 1422 (1988). C-Vac urges this comment as the reason for its delay. (C-Vac Br., p. 17). But it had already explicitly pleaded the issue in Illinois — the charge which has become the "plague" was already asserted by C-Vac. Furthermore, C-Vac does not indicate what additional facts or evidence it now possesses which it did not have when it filed its Answer in Illinois. (The Second Circuit held that C-Vac has alleged no additional facts.) (A-7). The reason is apparent, as the record shows C-Vac did possess its antitrust claims at the time of its Answer, and this underscores the disingenuous nature of C-Vac's argument on the issue of its inequitable conduct claim.

Moreover, C-Vac's allegations of inequitable conduct in procurement of the Minuteman patent are based on an allegation that Minuteman was aware of prior art incorporating a "flat gasket" seal in other prior art filters. The Illinois court specifically noted:

> All five (original) claims were rejected as obvious in view of two prior art references, one of which was U.S. Patent 4,786,295 issued to Newman, et al. . . . The Newman patent disclosed, among other features, a flat gasket seal. (A-38).

Thus, the Patent Office had before it a prior art reference (the Newman patent) showing a flat gasket seal, and used that prior art in rejecting the original claims. The Federal Circuit has specifically held, as a matter of law:

> Where a reference was before the examiner, whether through the examiner's search or the applicant's disclosure, it cannot be deemed to have been withheld from the examiner.

Scripps Clinic & Research Fdn. v. Genentech, Inc., 927 F.2d 1565, 1582 (Fed. Cir. 1991). Thus, C-Vac's charge of a violation of the antitrust laws based on a sham action involving "inequitable conduct" cannot be deemed to have substance; and we submit this is a significant consideration in determining whether, if this case were to be returned to the New York court, the review C-Vac now requests should be undertaken in the first place.

CONCLUSION

For the reasons stated, the Petition should be denied.

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No. 00-1317

IN THE
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Petitioner,

v.

MINUTEMAN INTERNATIONAL, INC., Respondent.

On Petition for a Writ of Certiorari
to the United States Court of Appeals
for the Second Circuit

PETITIONER'S REPLY BRIEF

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Petitioner Critical-Vac Filtration Corporation ("C-Vac") submits this brief in reply to the brief in opposition of respondent Minuteman International, Inc. ("Minuteman"). That brief was submitted in opposition to C-Vac's Petition for a Writ of Certiorari to the United States Court of Appeals for the Second Circuit.

Minuteman argues that the issue presented by C-Vac's Petition does not occur often enough to merit review. (Minuteman brief at 4 and 7) In making this argument, Minuteman ignores the fact that within the last six years, the Fifth, Ninth and Second Circuit Courts of Appeals have addressed the scope of this Court's decision in Mercoid Corp. v. Mid-Continent Inv. Co., 320 U.S. 662 (1944) ("Mercoid"), and have rendered conflicting decisions. See Critical-Vac

Filtration Corp. v. Minuteman International. Inc., 233 F.3d 697 (2d Cir. 2000); Tank Insulation Int'l Inc. v. Insultherm, Inc., 104 F.3d 83 (5th Cir. 1997) ("Tank Insulation"); Hydranautics v. FilmTec Corp., 70 F.3d 533 (9th Cir. 1995) ("Hydranautics"). Minuteman's Brief in Opposition also cites U.S. Phillips Corp. v. Sears Roebuck & Co., 55 F.3d 592 (Fed. Cir. 1995) ("Phillips"), for the proposition that the Federal Circuit agrees that there is no reason to delay bringing antitrust claims in the original patent infringement litigation. (Minuteman brief at 7) Although this statement is clearly dicta because Phillips prevailed in the suit that was alleged to have been sham litigation,[1] it demonstrates that the issue also has arisen in the Federal Circuit. See also, Genentech v. Regents of the Univ. of California, 143 F.3d 1446 (Fed. Cir. 1998), vacated on other grounds, 527 U.S. 1031 (1999) (holding that District Court's determination that an antitrust counterclaim was not compulsory was not an abuse of discretion).

The issue also has arisen in numerous district courts, and there are at least four reported district court decisions in the last six years. Tindall v. Parks, No. 96-CV-7651, 1997 U.S. Dist. Lexis 12263 (S.D.N.Y. Aug. 19, 1997); Longwood Mfg. Corp. v. Wheelabrator Clean Water Systems, Inc., 954 F.Supp. 17 (D.Me. 1996); American Packaging Corp. v. Golden Valley Microwave Foods, Inc., No. 94-CV-1839, 1995 W.L. 262522 (E.D. Pa. May 1, 1995); and Boston Scientific Corp. v. Schneider (Europe) AG, 983 F.Supp. 245 (D. Mass. 1997). Certainly, this issue also must have arisen in numerous other cases in which the decision was not reported or in cases

[1]The facts of Phillips were also unusual in that the party seeking to bring the antitrust claim had been a defendant in the original trial, was an indemnitor of one of the defendants in the retrial, and also served as a witness at the retrial. Further, at both the trial and retrial, the antitrust claims were litigated.

in which the parties settled their dispute out of court. The reoccurring confusion over the scope of Mercoid supports the need for this Court's review.

In 1997, the American Intellectual Property Law Association ("AIPLA") moved for leave to file an amicus brief in support of the petition for certiorari made by the petitioners in Tank Insulation. The motion included the brief that the AIPLA proposed to file, and in that brief the AIPLA noted that it represented more than 10,000 members who practiced in the area of intellectual property law, including patent law and antitrust law. The AIPLA did not take a position on the merits of Tank Insulation, but only argued that "[i]nconsistent interpretations of the Mercoid exception have led to proliferation of litigation and uncertainty. . .[that] has created a conflict of decisions between the Circuit Courts and a need for further guidance from this Court." See Amicus Brief of the AIPLA at 3, Insultherm, Inc. v. Tank Insulation Int'l., Inc. (Supreme Court No. 96-1899, October Term, 1996).

Certainly, the need for a definitive resolution is even stronger now that the Second Circuit has ruled directly contrary to the Fifth and Ninth Circuits. Moreover, Minuteman's argument that the Second Circuit's decision adds nothing to the "calculus of considerations surrounding the issue," because this Court denied certiorari to the Fifth Circuit in the Hydranautics case and to the Ninth Circuit in the Tank Insulation case (Minuteman brief at 5), is misplaced.

First, this Court denied certiorari to the Court of Appeals for the Federal Circuit in Hydranautics on a different issue than presented in the case at bar. FilmTec Corp. v. Hydranautics, 510 U.S. 824 (1993) [denying certiorari from 982 F.2d 1546 (Fed. Cir. 1992)]. Second, the denial of certiorari to the Ninth Circuit in Tank Insulation was rendered

in the absence of recent conflicting decisions from other Circuit Courts. The Second Circuit had addressed the issue in dicta in United States v. Eastport Steamship Corp., 255 F.2d 795 (2d Cir. 1958) (non patent infringement case), and the Fourth Circuit, holding that antitrust counterclaims are compulsory, had addressed the issue 15 years earlier in Burlington Indus., Inc. v. Milliken & Co., 690 F.2d 380 (4th Cir. 1982).

Now that the Second Circuit has rendered a conflicting decision from those rendered in both Tank Insulation and Hydranautics, the confusion has heightened and the need for review is greater. Moreover, this is not a case in which the facts are such that the Court should not consider review.

While Minuteman argues that C-Vac had its antitrust claims at the time of its responsive pleading in the Illinois action and that it pled those claims in that action (Minuteman brief at 8-9), C-Vac could not have known of Minuteman's fraudulent conduct before the Patent Office when it answered in the Illinois action. C-Vac could not have known, for example, whether Minuteman withheld from its attorney, James J. Hill ("Hill"), the fact that Minuteman was using what it considered to be prior art (a flat gasket on its own filters) or whether Hill knew it and intentionally withheld it from the Patent Office.[2] This fact, like so many of the essential facts that C-Vac would need to support the different elements of proof required in its antitrust claims, is something that C-Vac

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[2]Just as Minuteman misled the Patent Office, Minuteman has misled this Court by claiming that C-Vac pled the issue of inequitable conduct in the Illinois action. (Minuteman brief at 10) In the Illinois action, C-Vac asserted an affirmative defense of unenforceability when it answered the complaint, not a claim of inequitable conduct. (R.26-31) Thus, the issue of Minuteman's inequitable conduct was not litigated in the Illinois action, and Minuteman's mischaracterization of the facts of this case should have no bearing on whether this Court should grant certiorari.

could not have known or pled when it answered the patent infringement claim.

Reading Minuteman's brief would make one think that the pace of court decisions on the scope of Mercoid has not changed. In fact, the pace has quickened dramatically, and C-Vac does not believe that a resolution should wait, as Minuteman urges, for "future generations." (Minuteman brief at 8) Because the issue is one on which, within the last six years, there has been a clear conflict among at least three, if not four, Circuits, C-Vac urges this Court to hear this case and resolve the confusion regarding the scope of Mercoid.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be granted.

Dated: Rochester, NY
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